THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY, IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

NEW ISSUE -- BOOK-ENTRY-ONLY **RATINGS: See "RATINGS" herein.**

In the opinion of Special Tax Counsel, under existing law and assuming compliance with the tax covenants described herein and the accuracy of certain representations and certifications made by the City described herein, interest on the 2002 Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to the exclusion of interest on any 2002B Bond or any 2002C Bond from gross income for any period during which such 2002B Bond or 2002C Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with proceeds of the 2002B Bonds or 2002C Bonds or a "related person". Special Tax Counsel is also of the opinion that interest on the 2002A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the 2002A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Special Tax Counsel is further of the opinion that interest on the 2002B Bonds and the 2002C Bonds is treated as an item of tax preference for purposes of calculating the federal alternative minimum tax that may be imposed on individuals and corporations.

Special Tax Counsel is further of the opinion that, under existing law and assuming that interest on the 2002 Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code, interest on the 2002 Bonds is excluded from Missouri taxable income for the purposes of the personal income tax and corporate income tax imposed by the State of Missouri. See "TAX MATTERS" herein regarding certain other tax considerations.

$117,985,000
The City of St. Louis, Missouri

$69,195,000 Airport Revenue Bonds, Series 2002A (Capital Improvement Program) (NON-AMT)

$31,755,000 Airport Revenue Bonds, Series 2002B (Capital Improvement Program) (AMT)

$17,035,000 Airport Revenue Refunding Bonds, Series 2002C (AMT)

Dated: Date of Delivery **Due: July 1, as shown on the inside cover**

The above-described bonds (collectively, the "2002 Bonds") will be issued by The City of St. Louis, Missouri (the "City"), under and pursuant to the Amended and Restated Indenture of Trust dated as of October 15, 1984, and amended and restated as of September 10, 1997, as amended and supplemented, including by the Ninth Supplemental Indenture of Trust, dated as of December 1, 2002 (collectively, the "Indenture") between the City and UMB Bank, N.A., as Trustee (the "Trustee").

The 2002 Bonds are limited obligations of the City, payable solely from Revenues (as defined herein) to be derived by the City from the operation of Lambert-St. Louis International Airport (the "Airport") and certain other funds pledged under the Indenture. The 2002 Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory limitation or provision, and the taxing power of the City is not pledged to the payment of the 2002 Bonds, either as to principal, premium (if any) or interest. The 2002 Bonds will be secured on a parity basis with the City's outstanding Airport Revenue Bonds (as defined herein) and any additional bonds issued under the Indenture (the "Bonds") as more fully described herein. All capitalized terms used but not otherwise defined on this cover page shall have the respective meanings given to such terms in the Indenture.

The proceeds of the 2002 Bonds, together with other available funds, if any, will be used (i) to finance or reimburse a portion of the cost of the construction, improvement, renovation, expansion, rehabilitation and equipping of certain capital improvement projects at the Airport (collectively, the "2003-2004 Projects"), as more fully described in **"THE AIRPORT CAPITAL IMPROVEMENT PROGRAM - FY 2003 and FY 2004 Projects"** and **"PLAN OF FINANCE"** herein; (ii) to refund all of the City's outstanding Airport Revenue Refunding and Improvement Bonds, Series 1992, Lambert-St. Louis International Airport Project; and (iii) to fund certain capitalized interest, reserve accounts and costs of issuance in connection with the issuance of the 2002 Bonds.

Interest on the 2002 Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2003, until maturity or prior redemption. The 2002 Bonds are initially issuable only to Cede & Co., the nominee of The Depository Trust Company pursuant to the book-entry-only system described herein. Beneficial ownership may be acquired in denominations of $5,000 or any integral multiples thereof. No physical delivery of the 2002 Bonds will be made to the purchasers. Principal of and interest on the 2002 Bonds will be payable at the principal corporate trust office of UMB Bank, N.A., Kansas City, Missouri, as Trustee. See **"THE 2002 BONDS - Book-Entry-Only System"** herein. **The 2002 Bonds will be subject to optional and mandatory redemption prior to maturity as described herein.**

Payment, when due, of the principal of and interest on the 2002 Bonds will be guaranteed by a municipal bond insurance policy to be issued concurrently with the issuance of the 2002 Bonds by MBIA Insurance Corporation ("MBIA"). See "BOND INSURANCE" herein.

MBIA

See the inside cover page for maturities, principal amounts, interest rates and yields.

The 2002 Bonds are offered when, as and if issued by the City and received by the underwriters and subject to prior sale, withdrawal or modification of the offer without notice and the approval of legality of the 2002 Bonds by Shaffer Lombardo Shurin, a professional corporation, St. Louis, Missouri, and Lewis & Munday, A Professional Corporation, Detroit, Michigan, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the office of the City Counselor, and by Nixon Peabody LLP, New York, New York, Special Tax Counsel, and by Armstrong Teasdale LLP, St. Louis, Missouri, Special Counsel, and for the Underwriters by Bryan Cave LLP, St. Louis, Missouri, and White Coleman & Associates, LLC, St. Louis, Missouri, Co-Underwriters' Counsel. It is expected that the 2002 Bonds in book-entry-only form will be available for delivery to DTC in New York, New York, on or about December 19, 2002.

Bear, Stearns & Co. Inc.

A.G. Edwards & Sons, Inc.
(Underwriter for the 2002A and 2002B Bonds Only)

Goldman, Sachs & Co.
(Underwriter for the 2002C Bonds Only)

UBS PaineWebber Inc. **Berean Capital, Inc.** **Banc One Capital Markets, Inc.**

The Date of this Official Statement is December 11, 2002.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS

$117,985,000
The City of St. Louis, Missouri
Airport Revenue Bonds, Series 2002
(Airport Capital Improvement Program)

2002A Bonds (Non-AMT)

$69,195,000

Maturity (July 1)	Principal Amount	Interest Rate	Yield	Maturity (July 1)	Principal Amount	Interest Rate	Yield
2006	$470,000	3.000%	2.490%	2012	$1,675,000	5.250%	3.980%
2006	810,000	5.000	2.490	2013	1,760,000	4.000	4.100
2007	540,000	3.000	2.870	2014	1,830,000	5.375	4.220
2007	795,000	5.000	2.870	2015	1,930,000	5.375	4.340
2008	605,000	3.000	3.200	2016	2,035,000	5.375	4.430
2008	790,000	5.000	3.200	2017	2,140,000	5.375	4.530
2009	1,450,000	5.250	3.450	2018	2,260,000	5.375	4.600
2010	465,000	3.600	3.680	2019	2,380,000	5.375	4.680
2010	1,060,000	5.250	3.680	2020	2,505,000	5.375	4.740
2011	690,000	3.800	3.880	2021	2,640,000	5.375	4.800
2011	910,000	5.250	3.880	2022	2,785,000	4.750	4.900

$16,110,000 5.000% Term Bonds Due July 1, 2027 Yield: 4.990%
$20,560,000 5.000% Term Bonds Due July 1, 2032 Yield: 5.020%

2002B Bonds (AMT)

$31,755,000

Maturity (July 1)	Principal Amount	Interest Rate	Yield	Maturity (July 1)	Principal Amount	Interest Rate	Yield
2006	$605,000	5.000%	2.790%	2015	$910,000	4.500%	4.570%
2007	635,000	3.000	3.150	2016	950,000	4.600	4.670
2008	655,000	5.000	3.470	2017	995,000	4.700	4.750
2009	690,000	5.250	3.720	2018	1,040,000	4.750	4.830
2010	725,000	5.250	3.950	2019	1,090,000	4.750	4.900
2011	760,000	5.250	4.150	2020	1,145,000	4.875	4.950
2012	800,000	4.250	4.250	2021	1,200,000	4.875	5.000
2013	835,000	4.250	4.350	2022	1,255,000	5.000	5.050
2014	870,000	4.400	4.470				

$7,290,000 5.000% Term Bonds Due July 1, 2027 Yield: 5.090%
$9,305,000 5.000% Term Bonds Due July 1, 2032 Yield: 5.120%

2002C Refunding Bonds (AMT)

$17,035,000

Maturity (July 1)	Principal Amount	Interest Rate	Yield
2003	$5,020,000	2.000%	1.240%
2004	780,000	3.000	2.000
2005	805,000	2.500	2.350
2006	820,000	5.000	2.790
2007	865,000	5.000	3.150
2008	910,000	5.000	3.470
2009	955,000	5.250	3.720
2010	1,000,000	5.500	3.950
2011	1,055,000	5.500	4.150
2012	1,110,000	5.500	4.250
2013	1,170,000	5.500	4.350
2014	1,240,000	5.500	4.450
2015	1,305,000	5.500	4.550

[Remainder of page intentionally left blank]

No dealer, broker, salesman or other person has been authorized by The City of St. Louis, Missouri (the "City"), Lambert-St. Louis International Airport (the "Airport"), the Bond Insurer or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2002 Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City, the Airport or the Bond Insurer since the date hereof (or since the date of any information included herein that is dated other than the date hereof).

THE 2002 BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(a)(2) OF SUCH ACT. THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE 2002 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF ANY STATES IN WHICH THE 2002 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE 2002 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2002 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE CITY OF ST. LOUIS
ELECTED OFFICIALS

Francis G. Slay, Mayor
Darlene Green, Comptroller
James F. Shrewsbury, President of the Board of Aldermen
Larry C. Williams, Treasurer

BOARD OF ALDERMEN

Irene J. Smith – Ward 1
Dionne Flowers – Ward 2
Freeman Bosley, Sr. – Ward 3
Peggy Ryan – Ward 4
April Ford-Griffin – Ward 5
Lewis E. Reed – Ward 6
Phyllis Young – Ward 7
Stephen J. Conway – Ward 8
Kenneth Ortmann – Ward 9
Craig N. Schmid – Ward 10
Matt Villa – Ward 11
Fred Heitert – Ward 12
Alfred J. Wessels, Jr. – Ward 13
Stephen Gregali – Ward 14
Jennifer Florida – Ward 15
Vacant – Ward 16
Joseph D. Roddy – Ward 17
Terry Kennedy – Ward 18
Michael McMillan – Ward 19
Sharon Tyus – Ward 20
Melinda L. Long – Ward 21
James Ozier – Ward 22
Colleen M. Sondermann – Ward 23
Tom Bauer – Ward 24
Dan E. Kirner – Ward 25
Irving C. Clay, Jr. – Ward 26
Gregory J. Carter – Ward 27
Lyda Krewson – Ward 28

OTHER CITY OFFICIALS

Ivy Neyland-Pinkston, Deputy Comptroller
Kenneth L. Below, Assistant Airport Director of Finance
Elaine Harris Spearman, Legal Advisor to the Comptroller
Candice Gordon, Accounting Executive
Thomas J. Ray, Deputy City Counselor
Joseph R. Niemann, Airport Counsel
Patricia Hageman, City Counselor

CITY AIRPORT COMMISSION

Col. Leonard L. Griggs, Jr., Chairman

Kenneth A. Behlmann
James H. Buford
William J. Esterline
Darlene Green
Richard E. Hrabko
Courtney A. Jones
John Krekeler
Lee M. Liberman
Lewis L. McKinney, Jr.
Thomas R. Nash
Richard A. Sauget
James F. Shrewsbury
Shelia B. Williams
Phyllis Young
Robert A. Young

BOARD OF ESTIMATE AND APPORTIONMENT

Francis G. Slay, Mayor
Darlene Green, Comptroller
James F. Shrewsbury, President of the Board of Aldermen

CO-FINANCIAL ADVISORS

Siebert Brandford Shank & Co., LLC
Detroit, Michigan

DJ Walker Advisors, LLC
Chicago, Illinois

AIRPORT CONSULTANT

Unison-Maximus, Inc.
Chicago, Illinois

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The City of St. Louis, Missouri

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$17,035,000 Airport Revenue Refunding Bonds, Series 2002C (AMT)

INTRODUCTION

This introduction is only a brief description and summary of certain information contained in this Official Statement and is qualified in its entirety by reference to the more complete and detailed information contained in the entire Official Statement, including the cover pages and appendices hereto (collectively, the "Official Statement") and the documents summarized or described herein. Unless otherwise defined herein, certain capitalized words and terms used in this Official Statement have the meanings given to them in **APPENDIX B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIR CARRIER USE AGREEMENTS AND OTHER LEASES"** *hereto.*

The purpose of this Official Statement is to furnish information regarding the issuance of $117,985,000 aggregate principal amount of Airport Revenue Bonds, Series 2002 (Airport Capital Improvement Program) to be issued in three sub-series, 2002A, 2002B and 2002C (collectively, the "2002 Bonds") of The City of St. Louis, Missouri (the "City"). **Investors must read the entire Official Statement, including the cover page and appendices hereto to obtain information essential to making an informed investment decision.**

Authorization

The 2002 Bonds are issued under authority of the constitution and laws of the State of Missouri, including Article VI, Section 27 of the Missouri Constitution, as amended, Section 108.140 of the Revised Statutes of Missouri (2000), as amended, a special election of voters of the City held on November 5, 1991, and Ordinance No. 65618 adopted by the Board of Aldermen on July 19, 2002, and approved by the Mayor on August 5, 2002 (the "Ordinance") (in which Ordinance the 2002 Bonds are authorized as the "Series 2002 Capital Improvement Program Bonds"). The 2002 Bonds are issued pursuant to an Amended and Restated Indenture of Trust, dated as of October 15, 1984, and amended and restated as of September 10, 1997 (the "Restated Indenture"), as amended and supplemented, including by a Ninth Supplemental Indenture of Trust, dated as of December 1, 2002 (collectively, the "Indenture") between the City and UMB Bank, N.A., as Trustee (the "Trustee"). For a summary of the Indenture, see **APPENDIX B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIR CARRIER USE AGREEMENTS AND OTHER LEASES"** hereto.

The City is a constitutional charter city and political subdivision of the State of Missouri. The Airport is owned by the City and operated by the Airport Authority of the City (the "Airport Authority"). The Airport Authority was created by ordinance of the Board of Aldermen of the City and consists of the City Airport Commission (the "Commission"), the Airport's Chief Executive Officer (the "Director of Airports") and other managers and personnel required to operate the Airport. The Commission is responsible for the planning, development, management and operation of the Airport. See **"THE AIRPORT"** herein.

The proceeds of the 2002 Bonds, together with other available funds, if any, will be used (i) to finance or reimburse a portion of the cost of the construction, improvement, renovation, expansion, rehabilitation and equipping of certain capital improvement projects at the Airport, i.e. the "2003-2004

Projects", as more fully described in **"THE AIRPORT CAPITAL IMPROVEMENT PROGRAM – FY 2003 and FY 2004 Projects"** and **"PLAN OF FINANCE"** herein; (ii) to refund all of the City's outstanding Airport Revenue Refunding and Improvement Bonds, Series 1992, Lambert-St. Louis International Airport Project; and (iii) to fund certain capitalized interest, reserve accounts and costs of issuance in connection therewith.

Security

The 2002 Bonds are limited obligations of the City, payable on a parity with the City's Outstanding Airport Revenue Bonds (as defined herein), solely from the Revenues derived from the operation of the Airport and certain other funds pledged under the Indenture, subject to the application thereof in accordance with the Indenture, including the Debt Service Reserve Fund, all as more fully described under the caption **"SECURITY FOR THE 2002 BONDS"** herein.

THE 2002 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR PROVISION, AND THE TAXING POWER OF THE CITY IS NOT PLEDGED TO THE PAYMENT OF THE 2002 BONDS, EITHER AS TO PRINCIPAL OR INTEREST.

Certain risks are associated with the Airport's ability to generate sufficient Revenues for the payment of principal of, premium, if any, and interest on the 2002 Bonds. Revenues depend in large part upon the level of aviation activity at the Airport. There are two distinct types of aviation activities. Origin and destination activity ("O&D Activity"), which reflects passengers whose origin or destination is at the Airport and connecting activity ("Connecting Activity"), which reflects passengers who connect through the Airport on their way to their destination. O&D Activity is primarily dependent on economic and demographic characteristics of the Airport service area. Connecting Activity is primarily dependent on decisions of the air carriers to use the Airport as a connecting hub. In Fiscal Year ended June 30, 2002, 47% of the Airport's activity was O&D Activity and 53% was Connecting Activity.

September 11, 2001 Events/Certain Risk Factors

On September 11, 2001 terrorists seized control of four U.S. commercial passenger flights crashing two aircraft into the World Trade Center in New York City, one aircraft into the Pentagon in Arlington, Virginia and one aircraft in Somerset, Pennsylvania (collectively, the "September 11, 2001 Events"). In response to these catastrophic events, the Federal Aviation Administration (the "FAA") ordered the complete shutdown of the U.S. aviation system for a period of two days. The Airport re-opened on September 13, 2001, but with significantly lower traffic levels. Thereafter, air service levels were gradually restored, but passenger traffic remained well below FY 2001 levels. The September 11, 2001 Events have had an adverse effect on the operations and financial condition of the Airport and may have a continuing adverse effect on the operations and financial condition of the Airport and on the airlines that use the Airport. For a more complete discussion of the September 11, 2001 Events and the impact on operations at the Airport, the financial condition of the Airport and the financial condition of the airlines that use the Airport, see **"FACTORS AFFECTING THE AIR CARRIER INDUSTRY"** herein.

In Fiscal Year 2001, Trans World Airlines, Inc. ("TWA") along with its regional affiliate, Trans World Express, was the Airport's primary air carrier. In Fiscal Year 2001, TWA was responsible for 76% of enplanements at the Airport, and Southwest Airlines was responsible for 12% of enplanements at the Airport. On January 10, 2001, TWA filed its petition for reorganization under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") and filed with the petition a motion for authority to sell substantially all of its assets to American Airlines, Inc. ("American") or its designees, including AMR Corp. ("AMR"), the parent company of American. In connection with the sale, TWA assigned to a newly created subsidiary of American ("AMR Sub") TWA's obligations under the TWA Use Agreement and Cargo Lease with the City (the "AMR Sub Use Agreement" and the "AMR Sub Cargo Lease", respectively). TWA also assigned to AMR Sub the contract with its regional affiliate, Trans World Express. The sale of TWA's assets to AMR Sub was closed on April 9, 2001. As a result of the sale, American became the nation's largest air carrier, with about 22% of the United States market, and the Airport's primary air carrier.

Following the September 11, 2001 Events, American reduced its system-wide operating schedule to approximately 80% of the schedule that it flew prior to September 11, 2001. As a result of its schedule reductions and a significant decline in passenger traffic, it eliminated approximately 20,000 jobs nationwide. In its form 10-K, for the year ended December 31, 2001, AMR reported a net loss of $1.762 billion for calendar year 2001, after accounting for payments received from the federal government under the Stabilization Act and gains from sales of assets. In its form 8-K filed with the SEC on October 16, 2002, AMR reported a net loss of $924 million for the third quarter of 2002, compared to a net loss of $414 million after special items during the same quarter in 2001. AMR is implementing cost saving measures, including deferring delivery of 34 Boeing planes originally planned for delivery between 2003 and 2005, and placing 42 aircraft in short term storage until 2005. In addition AMR has reduced its capital expenditure plan by more than $1.5 billion for 2003-2005.

The City has entered into Use Agreements (individually with respect to each air carrier, a "Use Agreement" and collectively, the "Use Agreements") and in some instances, Cargo Leases (individually with respect to each air carrier, a "Cargo Lease" and collectively, the "Cargo Leases") with certain of the air carriers serving the Airport (the "Signatory Air Carriers"). Each of the Use Agreements and Cargo Leases with the Signatory Air Carriers, except the AMR Sub Use Agreement and the AMR Sub Cargo Lease, expires December 31, 2005, unless earlier terminated or extended in accordance with its terms. The AMR Sub Use Agreement and the AMR Sub Cargo Lease have month-to-month terms which renew automatically until December 31, 2005, unless the City exercises its right to terminate such agreements in accordance with their respective terms. The Use Agreements and the Cargo Leases grant the Signatory Air Carriers the right to use, as applicable, the airfield, the terminal building, the concourses, cargo facilities, maintenance facilities and related facilities for the business of air transportation with respect to persons, property, cargo and mail. The Use Agreements and Cargo Leases provide for the payment of rentals, fees and charges by the Signatory Air Carriers in connection therewith. In 1993, the City purchased certain property necessary for TWA's operations at the Airport from TWA and immediately thereafter leased such property back to TWA. This asset lease was assigned by TWA and assumed by AMR Sub in 2001 (the "AMR Sub Asset Lease").

For more information regarding TWA, AMR, American, AMR Sub and the legal proceedings in the TWA bankruptcy, see **"FACTORS AFFECTING THE AIR CARRIER INDUSTRY," "SECURITY FOR THE 2002 BONDS-Air Carrier Rates and Charges"**, herein and **APPENDIX B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIR CARRIER USE AGREEMENTS AND OTHER LEASES"** hereto.

The Official Statement contains summary descriptions of, among other things, the Indenture, the 2002 Bonds, the City, the Airport, the Use Agreements, the Cargo Leases, certain AMR Sub agreements, the Continuing Disclosure Agreement, the Financial Feasibility Report, the Audited Financial Statements of the Airport, and the Bond Insurance Policy. All references herein to any documents are qualified in their entirety by reference to such documents. The Indenture, the Continuing Disclosure Agreement and the Policy are available for inspection at the offices of the Trustee and all other documents referenced above are available for inspection at the offices of the Airport.

SECURITY FOR THE 2002 BONDS

THE 2002 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR PROVISION, AND THE TAXING POWER OF THE CITY IS NOT PLEDGED TO THE PAYMENT OF THE BONDS, EITHER AS TO PRINCIPAL OR INTEREST.

Revenues

The 2002 Bonds are limited obligations of the City, payable solely from and secured on a parity with the Outstanding Bonds (as defined in the section captioned **"SECURITY FOR THE 2002 BONDS — Outstanding Bonds and Additional Bonds"** herein), by a pledge of (i) the Revenues, subject to the prior application thereof for the payment of Operation and Maintenance Expenses in accordance with the Indenture; and (ii) the funds held or set aside under the Indenture, subject, in each case, only to any prior lien on the Revenues given as security for the Bonds. None of the properties of the Airport have been pledged or mortgaged to secure payment on the Bonds, including the 2002 Bonds.

Under the Indenture, "Revenues" means, collectively, the "GARB Revenues," the "Pledged PFC Revenues" and any other available moneys deposited in the Revenue Fund. The Indenture defines *Net Revenues* as Revenues less Operation and Maintenance Expenses.

ADF Funding. The Airport has committed $13.9 million of ADF (as defined herein) moneys to the FY 2002 – FY 2006 CIP. These funds have been allocated primarily to fund major maintenance programs for the airfield, terminal infrastructure and roadways. These programs are essential for on-going operations of the Airport.

AIP Grants. The City received $37 million of Airport Improvement Program ("AIP") grants in FY 2002 to be used primarily for security enhancements, security related operating expenses in the aftermath of the September 11, 2001 Events, and land acquisition associated with the on-going Part 150 program and various airfield projects.

GARB Revenues. The Indenture defines "GARB Revenues" as all revenues collected by the City relating to, from or with respect to its possession, management, supervision, operation and control of the Airport, including all rates, charges, landing fees, rentals, use charges, concession revenues, revenues from the sale of services, supplies or other commodities, any investment income realized from the investment of amounts in the Revenue Fund, and any other amounts deposited into the Revenue Fund. GARB Revenues do not include: (a) any revenue or income from any Special Facilities, except ground rentals thereof or any payments made to the City in lieu of such ground rentals and the revenue or income from Special Facilities which are not pledged to the payment of Special Facilities Indebtedness; (b) any moneys received as grants, appropriations or gifts from the United States of America, the State of Missouri or other sources, the use of which is limited by the grantor or donor to the planning or the construction of capital improvements, including land acquisition, for the Airport, except to the extent any such moneys shall be received as payment for the use of the Airport; (c) any Bond proceeds and other money (including investment earnings) credited to the Construction Fund for the financing of capital improvements to the Airport; (d) any interest earnings or other gain from investment of moneys or securities in any escrow or similar account pledged to the payment of any obligations therein specified in connection with the issuance of Refunding Bonds or the defeasance of any Series of Bonds in accordance with the Indenture; (e) any consideration received by the City upon transfer of the Airport pursuant to the Indenture; (f) interest income on, and any profit realized from, the investment of moneys in (i) the Construction Fund or any other construction fund funded from proceeds of bonds or (ii) the Debt Service Account or the Debt Service Reserve Account if and to the extent there is any deficiency therein; (g) any passenger facility charge or similar charge levied by or on behalf of the Airport against passengers or cargo, including any income or earnings thereon, unless and to the extent all or a portion thereof are designated as Revenues by the City in a Supplemental Indenture; (h) insurance proceeds which are not deemed to be GARB Revenues in accordance with generally accepted accounting principles (other than proceeds that provide for lost revenue to the Airport for business interruption or business loss); (i) the proceeds of any condemnation or eminent domain award; (j) the proceeds of any sale of land, buildings or equipment; (k) any money received by or for the account of the Airport from the levy of taxes upon any property in the City; and (l) amounts payable to the City under an Interest Rate Exchange Agreement unless and to the extent designated as GARB Revenues by the City in a Supplemental Indenture.

Pledged PFC Revenues. Under the Indenture, a portion of the PFC Revenues (defined herein) have been pledged to the payment of the Bonds. For more information on the Pledged PFC Revenues and the level of Pledged PFC Revenues that have been pledged to the payment of the Bonds, see **APPENDIX A – "THE PFC PROGRAM"** and **APPENDIX B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIR CARRIER USE AGREEMENTS AND OTHER LEASES – Pledge Effected by the Indenture"** attached hereto.

For a summary of the application of Revenues under the Indenture, see **APPENDIX B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIR CARRIER USE AGREEMENTS AND OTHER LEASES"** hereto.

Bond Insurance

Payment of scheduled principal of and interest on the 2002 Bonds will be guaranteed by a municipal bond insurance policy to be issued by MBIA Insurance Corporation. The municipal bond insurance policy will be issued concurrently with the issuance of the 2002 Bonds, will be noncancellable and will extend for the term of the 2002 Bonds. See **"BOND INSURANCE"** herein and **APPENDIX E - "FORM OF BOND INSURANCE POLICY"** hereto.

Rate Covenant

Under the Indenture, the City has covenanted that it will at all times while any Bonds remain outstanding, establish, fix, prescribe and collect rates, fees, rentals and other charges for the use of the Airport as will be reasonably anticipated to provide in each Airport Fiscal Year an amount so that Revenues will be sufficient to (i) pay Aggregate Debt Service for such Airport Fiscal Year, (ii) provide funds necessary to make the required deposits in and maintain the several funds and accounts established under the Indenture, and (iii) pay or discharge all indebtedness, charges and liens payable out of the Revenues under the Indenture. For further discussion, see **"SECURITY FOR THE 2002 BONDS-Air Carrier Rates and Charges — Use Agreements, Cargo Leases and Certain Other Agreements"** herein.

Air Carrier Rates and Charges

Use Agreements, Cargo Leases and Certain Other Agreements. The City has entered into individual Use Agreements and in some instances Cargo Leases with the Signatory Air Carriers serving the Airport. Each of the Use Agreements and Cargo Leases with each of the Signatory Air Carriers, except AMR Sub, expires December 31, 2005, unless earlier terminated or extended in accordance with its terms. The AMR Sub Use Agreement and the AMR Sub Cargo Lease have month-to-month terms which renew automatically until December 31, 2005, unless the City exercises its right to terminate either or both of such agreements in accordance with their respective terms. The City has the right to terminate such agreements immediately upon the occurrence of non-payment of amounts due 30 days after notice that such amounts have not been paid, or upon cessation of services by AMR Sub for more than 20 days.

The Use Agreements and the Cargo Leases grant the Signatory Air Carriers the right to use, as applicable, the airfield, the terminal building, the concourses, cargo facilities, maintenance facilities and related facilities for the business of air transportation with respect to persons, property, cargo and mail. The Use Agreements and Cargo Leases provide for the payment of rentals, fees and charges by the Signatory Air Carriers in connection therewith. Pursuant to the AMR Sub Asset Lease, the City leases to AMR Sub certain property purchased from TWA and necessary for American's operations at the Airport.

The Use Agreements and Cargo Leases set forth the procedures for obtaining MII approvals for projects to be included in the air carrier rate base and also the methodology for calculating landing fees and terminal rents as well as certain other ancillary fees. Air carrier rates and charges are assessed to the air carriers to support the primary activities of the Airport—the airfield and the terminal complex (including the Main Terminal, the East Terminal, and the concourses).

The City's Cargo Leases and Use Agreements permit the City to adjust rental rates for each rate period to reflect overpayments and underpayments that occurred during the preceding rate period. Notwithstanding these provisions, the City is not permitted to make rental adjustments based on deficiencies resulting from air carrier bankruptcies, vacancies of airport facilities or the failure of any air carrier to pay lease charges.

The enforcement of the Use Agreements, Cargo Leases, AMR Sub Asset Lease and any other agreements and leases between the City and users of the Airport may be limited by, and subject to, the provisions of the federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

The City intends to negotiate new Use Agreements and Cargo Leases with the air carriers serving the Airport prior to their expiration in 2005. However, no decisions have been made by the City regarding rate-making methods or other business issues that will be addressed in those negotiations, with the exception of a covenant of the City that costs associated with the 2003-2004 Projects be included in future rates and charges, to the extent that other moneys are not available for such purpose. In the absence of new Use Agreements and Cargo Leases, the City has the ability to establish, charge and collect air carrier rates and charges by ordinance, subject to the requirements of federal law described below. For further discussion, see **APPENDIX C - "FINANCIAL FEASIBILITY REPORT"** hereto.

Limitation on Amounts Payable By Air Carriers. The City received airline MII approval for all CIP projects requiring airline approval that will be funded using proceeds of the 2002 Bonds. The MII approval is a requirement of the current Use Agreements. The term of the Use Agreements extends to December 31, 2005. The existing Use Agreements provide for a "compensatory" approach to setting terminal building rental rates and a "cost center residual" approach to setting landing fee rates. Under federal law, as described below, the City is prohibited, without air carrier approval, from assessing the air carriers for debt service attributable to projects that have not been completed and placed into service. As a result, in the event that the 2003-2004 Projects are not completed by first quarter of calendar year 2006 as currently projected, the City will be prohibited from assessing the air carriers debt service attributable to the 2003-2004 Projects until they are completed. For further discussion see **APPENDIX C - "FINANCIAL FEASIBILITY REPORT"** hereto.

Federal Policy on Air Carrier Rates and Charges. On August 23, 1994, the President of the United States signed into law the FAA Authorization Act of 1994 (the "1994 Act"). Section 113 of the 1994 Act ("Section 113") requires that airport fees be "reasonable" and provides a mechanism by which the Secretary of Transportation can review rates and charges complaints brought by air carriers. Section 113 specifically states that its provisions do not apply to (1) a fee imposed pursuant to a written agreement with air carriers using airport facilities, (2) a fee imposed pursuant to a financing agreement or covenant entered into prior to the date of enactment of Section 113 or (3) any other existing fee not in dispute as of August 23, 1994.

In January 1995, the U.S. Department of Transportation ("DOT") issued its final rule outlining the procedures to be followed in determining the reasonableness of new fees or fee increases imposed on air carriers and, in June 1996, issued a policy statement (the "Policy Statement") setting forth the standards that the DOT would use in determining the reasonableness of the fees charged to air carriers and other aeronautical users. In 1997, the U.S. Court of Appeals for the District of Columbia Circuit in a case brought by the Air Transport Association vacated and remanded certain portions of the Policy Statement relating to valuation of the airfield, permissible components of the airfield rate base, use of any "reasonable methodology" for valuation of non-airfield assets and recovery of imputed interest on the airfield rate base to the Secretary of Transportation for reconsideration. The DOT requested and received comments and suggestions with respect to its proposed revisions to the Policy Statement but has not yet taken final action on these proposed revisions.

There is currently no dispute between the City and any of the air carriers operating at the Airport over any existing or proposed rates and charges. There is no assurance, however, that such disputes will not arise in the future.

Outstanding Bonds and Additional Bonds

Outstanding Bonds. The following series of Bonds (the "Outstanding Bonds") were outstanding under the Indenture as of November 1, 2002:

Title	Dated Date	Original Amount of Issue	Amount Outstanding
Airport Revenue Refunding and Improvement Bonds, Series 1992	November 15, 1992	$109,125,000	$ 17,070,000*
Airport Revenue Refunding Bonds, Series 1993	August 1, 1993	121,720,000	36,795,000
Airport Revenue Bonds, Series 1993A	December 1, 1993	65,405,000	21,535,000
Airport Revenue Refunding Bonds, Series 1996	April 1, 1996	37,760,000	19,350,000
Airport Revenue Bonds, Series 1997A	August 15, 1997	40,420,000	39,670,000
Airport Revenue Bonds, Series 1997B	August 15, 1997	159,185,000	156,935,000
Airport Revenue Refunding Bonds, Series 1998	December 1, 1998	69,260,000	68,280,000
Airport Revenue Bonds, Airport Development Program Fund, Series 2001A	May 1, 2001	435,185,000	435,185,000
		Total	**$794,820,000**

* Being refunded with 2002C Bonds.

On August 2, 2000, the City issued its $87,165,000 Double Barrel Airport Revenue Bonds, Series 2000 (the "LOI 2000 Bonds") of which $74,730,000 were outstanding as of November 1, 2002. The LOI 2000 Bonds are not Outstanding Bonds under the Indenture. The LOI 2000 Bonds are payable solely from amounts to be paid by the federal government to the City pursuant to the FAA's Letter of Intent Number ACE-98-01 dated November 10, 1998, as amended by Amendment Number 1 dated May 1, 2000 ("Letter of Intent"), for the payment to the City during the federal fiscal years ending September 30, 1999 through September 30, 2008 of an aggregate amount of $141,434,000 and from amounts required to be paid by the

City from amounts on deposit in the City's Airport Development Fund. The City expects to authorize the refunding of the LOI 2000 Bonds ("2003 LOI Refunding Bonds") during the fourth calendar quarter of 2002 and issue such refunding bonds in the first quarter of 2003 in order to realize savings due to the lower bond interest rates and to provide additional resources to the ADF from the elimination of the LOI Contingency Fund, a $10,000,000 reserve fund, which secures the LOI 2000 Bonds. The refinancing structure contemplated is expected to result in the conversion of the existing subordinate bond debt represented by LOI 2000 Bonds to Airport Revenue Bonds. However, it is anticipated that sufficient capitalized interest will be provided in order to defer the costs of this refunding until after completion of the new runway, which is scheduled for the first calendar quarter of 2006.

Escrow Account for Outstanding Obligations. Prior to 1984, the City issued Airport Revenue Bonds in the aggregate principal amount of $178,000,000. Proceeds of these Airport Revenue Bonds were used to establish an Escrow Account to economically defease outstanding obligations of the City under seven prior bond ordinances which authorized the issuance of these obligations (the "Outstanding Obligations").

The bond ordinances pursuant to which the Outstanding Obligations were issued (the "Outstanding Obligations Ordinances") do not contain provisions for the defeasance of the lien on Revenues securing the Outstanding Obligations, and, therefore, the Outstanding Obligations, until paid, will be entitled to the benefits of a first lien on the Revenues of the Airport. The principal amount of the Outstanding Obligations was $31,110,000 as of November 1, 2002. The Escrow Account is irrevocably pledged to the full payment when due of the principal of and interest on the Outstanding Obligations, with such amounts deposited therein having been verified as sufficient to pay in full when due the principal, interest and redemption premium, if any, on the Outstanding Obligations.

The 2002 Bonds will not be entitled to a lien on monies in the Escrow Account for the Outstanding Obligations. Further, under the Indenture and pursuant to and in accordance with the Outstanding Obligations Ordinances, the City has agreed not to issue any additional obligations with a lien on the Revenues senior to the Bonds.

Additional Bonds. Additional Bonds, equally and ratably secured under the Indenture on a parity with the City's Outstanding Bonds and the 2002 Bonds, may be authorized and issued by the City upon satisfaction of certain conditions for the purpose of providing funds for the extension, improvement or enlargement of the Airport (including the refunding of Subordinated Indebtedness and Special Facilities Indebtedness and the funding of funds and accounts established pursuant to the Indenture) or for the purpose of providing funds for the refunding of Bonds. Due to the planned refunding of the LOI 2000 Bonds, the anticipated debt service on the proposed 2003 LOI Refunding Bonds is included as a part of the aggregate debt service for fiscal years 2006 through 2008 in order to determine whether the 2002 Bonds satisfy the requirements of the Additional Bonds Test. See Table V-8 in **APPENDIX C - "FINANCIAL FEASIBILITY REPORT"** hereto.

Additional Bonds (other than Refunding Bonds) may be issued only upon receipt by the Trustee of certain certificates, reports and information, including without limitation, the following:

1. A certificate of the independent certified public accountant for the Airport stating (a) the Net Revenues of the Airport for any period of 12 consecutive months out of the 18 months preceding the delivery of such Additional Bonds and (b) the Aggregate Adjusted Debt Service for such 12-month period, and demonstrating for such 12-month period that Net Revenues equaled at least 1.25 times the Aggregate Adjusted Debt Service; and

2. A certificate of an authorized officer of the City demonstrating that, among other things, the estimated Net Revenues of the Airport for each of the three Airport Fiscal Years following the Airport

Fiscal Year in which the Project or any Additional Project will be completed, will be at least equal to 1.25 times Aggregate Adjusted Debt Service for each of such three Airport Fiscal Years.

The amount of Pledged PFC Revenues that may be counted for the purpose of meeting the Additional Bonds test for any Airport Fiscal Year shall not exceed 125% of the sum of the outstanding and proposed PFC-Eligible Debt Service for such Airport Fiscal Year. For more information on Additional Bonds expected to be issued to finance the Capital Improvement Program, see **"THE AIRPORT CAPITAL IMPROVEMENT PROGRAM — Five Year Capital Improvement Program"** herein and **APPENDIX B — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIR CARRIER USE AGREEMENTS AND OTHER LEASES"** hereto.

Debt Service Reserve Account

The Indenture authorizes the establishment of the 2002 Airport Debt Service Reserve Sub-Account of the Debt Service Reserve Account which is to be held by the Trustee and is to be applied solely for the purposes specified in the Indenture and is pledged to secure the payment of the Accrued Aggregate Debt Service on the Bonds. All of the sub-accounts within the Debt Service Reserve Account are held on a parity basis for the equal and ratable benefit of the Holders of all of the Outstanding Bonds. The Indenture requires that the Debt Service Reserve Account be maintained, as of any date of calculation for the then Outstanding Bonds, unless otherwise provided in a Supplemental Indenture for a particular Series of Bonds, at an amount which equals the least of: (i) 10% of the proceeds of the Bonds; (ii) 125% of the average annual debt service on the Bonds; or (iii) the maximum annual debt service on the Bonds. Pursuant to the Ninth Supplemental Indenture, the Debt Service Reserve Requirement with respect to the 2002 Bonds will be $8,284,886.26. Deposits into the Debt Service Reserve Account may be satisfied by a deposit of cash or a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution pursuant to the requirements of the Indenture.

The Debt Service Reserve Requirement for the 2002 Bonds will be funded in part, with a transfer of a portion of the reserve fund for the Series 1992 Bonds which are being refunded and the balance will be funded with a surety bond provided by MBIA (the "Surety Bond"). Moneys payable under the Surety Bond will be payable to the Trustee for the equal and ratable benefit of all of the Holders of the Bonds on any date on which moneys are required to be withdrawn from the 2002 Airport Debt Service Reserve Sub-Account of the Debt Service Reserve Account.

Moneys in the Debt Service Reserve Account are to be withdrawn and deposited in the Debt Service Account to the extent of a deficiency whenever the amount in the Debt Service Account on the final business day of any month is less than the amount of the Accrued Aggregate Debt Service on such date. In the event amounts in the Debt Service Reserve Account shall be less than the Debt Service Reserve Requirement, the Indenture requires that the Debt Service Reserve Account be restored to its requirement from amounts held in the Renewal and Replacement Fund, the Contingency Fund or the Development Fund and to the extent amounts held in such funds shall be insufficient, from the first available Revenues after required deposits into the Operation and Maintenance Fund and Debt Service Fund pursuant to the Indenture. Moneys in the Debt Service Reserve Account in excess of the requirement may be withdrawn and applied in accordance with the Indenture. See **APPENDIX B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIR CARRIER USE AGREEMENTS AND OTHER LEASES"** hereto.

Subordinated Indebtedness and Special Facilities Indebtedness

The Indenture permits the issuance of Subordinated Indebtedness secured by a lien on the Revenues of the Airport, provided that such lien is junior and subordinate to the lien of the Bonds on the

Revenues of the Airport. Prior to the incurrence of any such Subordinated Indebtedness, the City must furnish to the Trustee the independent accountant's certificate required in connection with the issuance of Additional Bonds. The principal of any such Subordinated Indebtedness will, by its terms, not be subject to acceleration upon default, unless and until the principal of the Bonds has also been accelerated.

The Indenture permits the issuance of obligations by the City or otherwise ("Special Facilities Indebtedness") for the purpose of financing capital improvements to be located on Airport property, provided that such Special Facilities Indebtedness will not be payable from Revenues. Special Facilities Indebtedness must be payable solely from rentals and other charges paid by the person, firm or corporation utilizing such Special Facilities. Prior to the issuance of the Special Facilities Indebtedness, there must be filed with the Trustee a certificate of the Airport Consultant certifying that (i) the estimated rentals, payments and other charges (including interest earnings on any reserves) to be paid with respect to the Special Facilities will be at least sufficient to pay the principal of and interest on such Special Facilities Indebtedness together with all costs of operating, maintaining and securing the Special Facilities; and (ii) the construction and operation of the Special Facilities to be financed will not decrease the Revenues presently projected to be derived from the Airport. The City is required to charge a fair and reasonable rental for land upon which any Special Facilities are to be constructed, and such ground rent will be deemed Revenues of the Airport.

There currently is no Special Facility Indebtedness outstanding. The City has no current plans to incur such indebtedness.

Matters Relating to Enforceability

The practical realization of any rights upon any default will depend upon the exercise of various remedies specified in the Indenture. These remedies, in certain respects, may require judicial action, which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Indenture may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in these documents. The security interest in the Revenues granted pursuant to the Indenture may be subordinated to the interest and claims of others in several instances. Examples of cases of subordination or prior claims are described under **"SECURITY FOR THE 2002 BONDS-Matters Relating to Security for the 2002 Bonds"** herein. The application of federal bankruptcy laws may have an adverse effect on the ability of the Trustee and the Bondholders to enforce their claim to the Revenues. Federal bankruptcy law permits adoption of a reorganization plan, even if such plan has not been accepted by the holders of a majority in aggregate principal amount of the 2002 Bonds, if the Bondholders are provided with the benefit of their original lien or the "indubitable equivalent." In addition, if a bankruptcy court concludes that the Bondholders have "adequate protection," it may under certain circumstances (a) substitute other security for the security provided by the Indenture for the benefit of the Bondholders and (b) subordinate the lien for the security interest of the Trustee to (1) claims by persons supplying goods and services to the bankrupt after the bankruptcy and (2) the administrative expenses of the bankruptcy proceeding. In the event of the bankruptcy of the City or any of its Signatory Air Carriers, the amount realized by the Bondholders might depend, among other factors, on the bankruptcy court's interpretation of various legal doctrines under the then existing circumstances.

All legal opinions with respect to the enforceability of the Indenture will be expressly subject to a qualification that enforceability thereof may be limited to bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally and by applicable principles of equity if remedies are sought.

Matters Relating to Security for the 2002 Bonds

The level of Revenues to be received by the City is subject to a number of factors, including: (a) the Revenues may be commingled with other moneys of the City and, therefore, are not sufficiently identifiable to enforce the City's covenants with respect to any required transfers; (b) statutory liens; (c) rights arising in favor of the United States of America or any agency thereof; (d) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (e) federal bankruptcy laws that may affect the enforceability of such security interest or certain federal statutes, regulations and judicial decisions that have cast doubt upon the right of the Trustee, in the event of the City's default, to collect and retain accounts receivable from the Revenues and other governmental programs; (f) rights of third parties in certain types of Revenues, such as instruments and cash not in the possession of the Trustee; and (g) requirements for filing Uniform Commercial Code continuation statements.

Acceleration Not a Remedy

There is no provision for acceleration of the maturity of the 2002 Bonds if any default occurs in the payment of principal of or interest on the 2002 Bonds, in the performance of any other obligation of the City under the Indenture or if interest on the 2002 Bonds becomes includible in the gross income of the holders thereof for federal income tax purposes.

Remedies

For a description of the events of default under the Indenture and the remedies available to holders of the 2002 Bonds, See **APPENDIX B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIR CARRIER USE AGREEMENTS AND OTHER LEASES-The Indenture-Events of Default and Remedies," "—Restrictions on Bondholders' Actions"** and **"—Waiver of Events of Default"** hereto.

BOND INSURANCE

Concurrently with the issuance of the 2002 Bonds, MBIA Insurance Corporation ("MBIA") will issue its Municipal Bond New Issue Insurance Policy for the 2002 Bonds (the "Policy"). See **APPENDIX E - "FORM OF BOND INSURANCE POLICY"** hereto for a specimen of the Policy.

The following information has been furnished by MBIA for use in this Official Statement. Reference is made to Appendix E for a specimen of MBIA's policy.

MBIA's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the City to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the 2002 Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the 2002 Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any 2002 Bonds. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of 2002 Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal of or interest on the 2002 Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the 2002 Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a 2002 Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such 2002 Bonds or presentment of such other proof of ownership of the 2002 Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the 2002 Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the 2002 Bonds in any legal proceeding related to payment of insured amounts on the 2002 Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the insured amounts due on such 2002 Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and MBIA set forth under the heading "BOND INSURANCE". Additionally, MBIA makes no representation regarding the 2002 Bonds or the advisability of investing in the 2002 Bonds.

The Financial Guarantee Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA Information

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2001; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the 2002 Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002), are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2001, MBIA had admitted assets of $8.5 billion (audited), total liabilities of $5.6 billion (audited), and total capital and surplus of $2.9 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2002, MBIA had admitted assets of $9.0 billion (unaudited), total liabilities of $5.9 billion (unaudited), and total capital and surplus of $3.1 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings, Inc. rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the 2002 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the 2002 Bonds. MBIA does not guaranty the market price of the 2002 Bonds nor does it guaranty that the ratings on the 2002 Bonds will not be revised or withdrawn.

The information relating to MBIA contained above has been furnished by MBIA. No representation is made herein by the City, the Airport, the Financial Advisors or the Underwriters as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

PLAN OF FINANCE

The proceeds of the 2002A and 2002B Bonds, together with other available funds, if any, will be used to finance or reimburse a portion of the cost of the construction, improvement, renovation, expansion, rehabilitation and equipping of certain capital improvement projects at the Airport, i.e. the 2003-2004 Projects, as more fully described in **"THE AIRPORT CAPITAL IMPROVEMENT PROGRAM – FY 2003 and FY 2004 Projects"** herein and to fund certain capitalized interest, reserve accounts and costs of issuance in connection therewith.

The proceeds of the 2002C Bonds, together with other available funds, if any, will be used to refund all of the City's outstanding Airport Revenue Refunding and Improvement Bonds, Lambert-St. Louis International Airport Projects Series 1992 (the "Series 1992 Bonds") and to fund certain capitalized interest, reserve accounts and costs of issuance in connection therewith. The Series 1992 Bonds are expected to be redeemed with the proceeds of the 2002C Bonds on February 1, 2003 at a price of 102%.

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ESTIMATED SOURCES AND USES OF FUNDS

The table below shows estimated sources and uses of funds in connection with the issuance of the 2002 Bonds.

Sources of Funds:	
Principal Amount of 2002A Bonds	$69,195,000.00
Net Original Premium	1,709,801.40
Principal Amount of 2002B Bonds	31,755,000.00
Net Original Issue Discount	(82,566.90)
Principal Amount of 2002C Bonds	17,035,000.00
Net Original Premium	924,753.65
Transfer of Debt Service Fund – Series 1992 Bonds	429,284.90
Debt Service Reserve Fund – Series 1992 Bonds	6,101,663.47
Total Sources of Funds	$127,067,936.52
Uses of Funds:	
Deposit to Construction Fund	89,859,146.38
Deposit of Capitalized Interest to Debt Service Account	9,774,030.11
Deposit to Escrow to Redeem Series 1992 Bonds	18,012,398.86
Costs of Issuance[1/]	2,428,386.49
Underwriters' Discount	892,311.21
Deposit to Series 2002 Debt Service Reserve Account[2/]	6,101,663.47
Total Uses of Funds	$127,067,936.52

[1/] Includes legal, accounting and printing expenses, bond insurance premium, surety premium, and other expenses associated with the issuance of the 2002 Bonds.
[2/] The balance of the Series 2002 Debt Service Reserve Account will be funded with a surety bond. See "SECURITY FOR THE SERIES 2002 BONDS – Debt Service Reserve Account" herein.

THE 2002 BONDS

The 2002 Bonds are being issued in three separate series under the Indenture and contain terms and conditions which are substantially the same. Except to the extent generally applicable to all bonds or except as otherwise provided herein, the terms and provisions described in this Official Statement applicable to the "2002 Bonds" apply independently to the 2002A Bonds, 2002B Bonds and 2002C Bonds, respectively, and should be read as separately referring to each Series. Reference is hereby made to the Indenture in its entirety for the detailed provisions pertaining to each series of the 2002 Bonds.

General

The 2002 Bonds will be dated, mature and bear interest as set forth on the inside cover page of this Official Statement. The 2002 Bonds are issued as fully registered bonds in the denominations of $5,000 or integral multiples thereof.

The principal of and redemption premium, if any, on the 2002 Bonds, will be payable at maturity or upon earlier redemption to the persons in whose name such 2002 Bonds are registered upon presentation and surrender of such 2002 Bonds at the principal corporate trust office of UMB Bank N.A., as Trustee. Interest on the 2002 Bonds is payable semiannually on January 1 and July 1 of each year, commencing July 1, 2003. Registered owners of 2002 Bonds of a principal amount of at least $1,000,000 may receive payments of interest by electronic transfer upon written notice provided by the registered owner to the Trustee of the relevant instructions not later than five days prior to the Record Date for such interest payment date.

Redemptions of bonds of any series may be made in the manner described below without the redemption of bonds of any other series.

Redemption Provisions

The 2002 Bonds maturing on and after July 1, 2013, are subject to redemption prior to maturity from any source, in whole at any time, or in part on any interest payment date, of such maturity as shall be selected by the City (and within a maturity as selected by lot), on and after July 1, 2012, at par, together with accrued interest to the redemption date.

The 2002A Bonds maturing July 1, 2027 are subject to mandatory sinking fund redemption prior to maturity, in part, as selected by the Trustee in such equitable manner as it shall determine, at par, plus accrued interest to the date of redemption on July 1 of each of the years set forth below, at the principal amounts set forth below:

2002 A Bonds - Term Bonds Due July 1, 2027	
Year	**Principal Amount to be Redeemed**
2023	$2,915,000
2024	3,060,000
2025	3,215,000
2026	3,375,000
2027*	3,545,000
*Final Maturity	

The 2002A Bonds maturing on July 1, 2032 are subject to mandatory redemption prior to maturity, in part, as selected by the Trustee in such equitable manner as it shall determine, at par, plus accrued interest to the date of redemption, on July 1 of each of the years set forth below, at the principal amounts set forth below:

2002 A Bonds - Term Bonds Due July 1, 2032	
Year	**Principal Amount to be Redeemed**
2028	$3,720,000
2029	3,905,000
2030	4,105,000
2031	4,305,000
2032*	4,525,000
*Final Maturity	

The 2002B Bonds maturing on July 1, 2027 are subject to mandatory redemption prior to maturity, in part, as selected by the Trustee in such equitable manner as it shall determine, at par, plus accrued interest to the date of redemption on July 1 of each of the years set forth below, at the principal amounts set forth below:

2002 B Bonds - Term Bonds Due July 1, 2027	
Year	**Principal Amount to be Redeemed**
2023	$1,320,000
2024	1,385,000
2025	1,455,000
2026	1,525,000
2027*	1,605,000
*Final Maturity	

The 2002B Bonds maturing on July 1, 2032 are subject to mandatory redemption prior to maturity, in part, as selected by the Trustee in such equitable manner as it shall determine, at par, plus accrued interest to the date of redemption on July 1 of each of the years set forth below, at the principal amounts set forth below:

2002 B Bonds - Term Bonds Due July 1, 2032	
Year	**Principal Amount to be Redeemed**
2028	$1,685,000
2029	1,770,000
2030	1,855,000
2031	1,950,000
2032*	2,045,000
*Final Maturity	

Notices of redemption will be mailed by the Trustee, postage prepaid, not less than 30 days prior to any redemption date, to the registered Owners of the 2002 Bonds that are to be redeemed. Each such notice will identify the 2002 Bonds to be redeemed (and, in the case of 2002 Bonds to be redeemed in part only, the principal amounts to be redeemed), will specify the redemption date and the redemption price, and will state that the 2002 Bonds to be redeemed will be payable at the principal corporate trust office of the Trustee. If, at the time of mailing of the notice of any optional redemption, there has not been deposited with the Trustee moneys sufficient to redeem all the 2002 Bonds called for redemption, the notice may state that it is conditional on the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date. Such notice will be of no effect and the redemption price for such optional redemption will not be due and payable unless such moneys are so deposited.

Upon the sending of notice as provided in the Indenture and the deposit with the Trustee of legally available moneys sufficient to pay the principal of and interest accrued to the redemption date on the 2002 Bonds called for redemption, the 2002 Bonds or portions thereof thus called for redemption will cease to bear interest from and after the redemption date, will no longer be entitled to the benefits provided by the Indenture and will not be deemed to be Outstanding under the provisions of the Indenture.

Book-Entry-Only System

The Depository Trust Company DTC, New York, New York, will act as securities depository for the 2002 Bonds. The 2002 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered 2002 Bond certificate will be issued for each maturity of each series of the 2002 Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC. For additional information regarding DTC and DTC's book-entry-only system, see **APPENDIX I — "DTC INFORMATION"** hereto.

In reading this Official Statement, it should be understood that while the 2002 Bonds are in book-entry-only form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the 2002 Bonds, but (i) all rights of ownership must be exercised through DTC and its book-entry-only system, and (ii) except as described in "APPENDIX I" hereto, notices that are to be given to registered owners under the Indenture shall be only given to DTC hereto.

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DEBT SERVICE REQUIREMENTS

The following table shows annual debt service for the Outstanding Bonds and the 2002 Bonds and the total Bond debt service for the Fiscal Years set forth below as of November 1, 2002.

12 Months	The 2002 Bonds			Outstanding	
Ending July 1	Principal	Interest	Total	Obligations [1]	Total
2003	$5,020,000.00	$3,046,886.00	$8,066,886.00	$66,403,259	$74,470,145.00
2004	780,000.00	5,612,511.26	6,392,511.26	70,674,509	77,067,020.26
2005	805,000.00	5,589,111.26	6,394,111.26	70,709,409	77,103,520.26
2006	2,705,000.00	5,568,986.26	8,273,986.26	49,813,191	58,087,177.26
2007	2,835,000.00	5,443,136.26	8,278,136.26	59,833,834	68,111,970.26
2008	2,960,000.00	5,324,886.26	8,284,886.26	55,304,038	63,588,924.26
2009	3,095,000.00	5,188,986.26	8,283,986.26	55,276,961	63,560,947.26
2010	3,250,000.00	5,026,498.76	8,276,498.76	55,244,791	63,521,289.76
2011	3,415,000.00	4,861,046.26	8,276,046.26	55,210,804	63,486,850.26
2012	3,585,000.00	4,689,126.26	8,274,126.26	55,190,769	63,464,895.26
2013	3,765,000.00	4,506,138.76	8,271,138.76	55,148,861	63,419,999.76
2014	3,940,000.00	4,335,901.26	8,275,901.26	55,114,794	63,390,695.26
2015	4,145,000.00	4,131,058.76	8,276,058.76	55,095,275	63,371,333.76
2016	2,985,000.00	3,914,596.26	6,899,596.26	47,381,113	54,280,709.26
2017	3,135,000.00	3,761,515.02	6,896,515.02	47,347,634	54,244,149.02
2018	3,300,000.00	3,599,725.02	6,899,725.02	46,818,796	53,718,521.02
2019	3,470,000.00	3,428,850.02	6,898,850.02	46,821,590	53,720,440.02
2020	3,650,000.00	3,249,150.02	6,899,150.02	46,824,871	53,724,021.02
2021	3,840,000.00	3,058,687.50	6,898,687.50	46,814,163	53,712,850.50
2022	4,040,000.00	2,858,287.50	6,898,287.50	46,814,328	53,712,615.50
2023	4,235,000.00	2,663,250.00	6,898,250.00	42,137,615	49,035,865.00
2024	4,445,000.00	2,451,500.00	6,896,500.00	42,138,190	49,034,690.00
2025	4,670,000.00	2,229,250.00	6,899,250.00	42,139,228	49,038,478.00
2026	4,900,000.00	1,995,750.00	6,895,750.00	42,131,903	49,027,653.00
2027	5,150,000.00	1,750,750.00	6,900,750.00	42,127,653	49,028,403.00
2028	5,405,000.00	1,493,250.00	6,898,250.00	27,997,965	34,896,215.00
2029	5,675,000.00	1,223,000.00	6,898,000.00	27,995,178	34,893,178.00
2030	5,960,000.00	939,250.00	6,899,250.00	27,999,653	34,898,903.00
2031	6,255,000.00	641,250.00	6,896,250.00	27,997,715	34,893,965.00
2032	6,570,000.00	328,500.00	6,898,500.00	-	6,898,500.00
	$117,985,000.00	$102,910,834.96	$220,895,834.96	$1,410,508,090	$1,631,403,924.96

[1] Does not include the Series 1992 Bonds which are being refunded with the proceeds of the 2002C Bonds. Does not include the LOI 2000 Bonds.

Amounts are rounded to the nearest dollar.

THE CITY OF ST. LOUIS

General

The City is located on the Mississippi River, the eastern boundary of the State of Missouri, just below its confluence with the Missouri River. The City occupies approximately 61.4 square miles of land, and its area has remained constant since 1876. The City, a constitutional charter city not a part of any county, is organized and exists under and pursuant to its Charter and the Constitution and laws of the State of Missouri.

The City is popularly known as the "Gateway to the West," due to its central location and historical role in the nation's westward expansion. Commemorating this role is the 630-foot stainless steel Gateway Arch, the world's tallest man-made monument, which is the focal point of the 86-acre Jefferson National Expansion Memorial on the downtown riverfront.

Government

The City's system of government is provided for by its Charter, which first became effective in 1914 and has subsequently been amended from time to time by the City's voters.

The Mayor, elected for a four-year term, is the chief executive officer of the City. The Mayor appoints most department heads, municipal court judges and various members of the City's boards and commissions. The Mayor possesses the executive powers of the City, which are exercised by the boards, commissions, officers and departments of the City under his general supervision and control.

The Comptroller is the City's chief fiscal officer, and is elected at large to a four-year term. The Comptroller is, by Charter, Chairman of the Department of Finance for the City and also has broad investigative audit powers over all City departments and agencies. The Comptroller also has administrative responsibility for all of the City's contracts, financial departments and accounting procedures.

The legislative body of the City is the Board of Aldermen. The Board of Aldermen is comprised of 28 Aldermen and a President. One Alderman is elected from each of the City's 28 wards to serve a four-year term, one-half of which wards elect Aldermen every two-years. The President of the Board of Aldermen is elected at large to serve a four-year term. The President is the presiding officer of the Board of Aldermen. The Board of Aldermen may adopt bills or ordinances which the Mayor may either approve or veto. Ordinances may be enacted by the Board of Aldermen over the Mayor's veto by a two-thirds vote.

The Board of Estimate and Apportionment is primarily responsible for the finances of the City. The Board of Estimate and Apportionment is comprised of the Mayor, the Comptroller and the President of the Board of Aldermen.

While most governmental functions of the City are controlled by the Mayor, the Comptroller, the Board of Estimate and Apportionment and the Board of Aldermen, the appointment of certain officials, including the members of the Board of Police Commissioners, and the Board of Election Commissioners, is made by the Governor of the State of Missouri. The Sheriff, Treasurer, Collector of Revenue, License Collector, Circuit Clerk, Circuit Attorney and Recorder of Deeds of the City are elected independently for four-year terms.

THE 2002 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR

PROVISION, AND THE TAXING POWER OF THE CITY IS NOT PLEDGED TO THE PAYMENT OF THE 2002 BONDS, EITHER AS TO PRINCIPAL OR INTEREST.

THE AIRPORT

General

The Airport is located in St. Louis County, which is adjacent to the City, approximately 15 miles northwest of the City's central business district, a drive of approximately 20 to 30 minutes on Interstate Highway 70, and approximately ten miles from the center of population of the St. Louis metropolitan area. The Airport is classified as a "Large Hub Airport" by the FAA, as it enplanes more than 1% of the total passengers in the U.S.

The Airport was originally established by Major Albert Bond Lambert and other aviation pioneers on a 160-acre site. It was acquired by the City in 1929 and subsequently expanded to its present size of slightly more than 2,100 acres. Upon completion of Phase I of the ADP (as defined herein) the Airport will be made up of 3,600 acres.

According to data reported by Airports Council International, the Airport was ranked as the 10th busiest airport in the nation and 11th in the world for Calendar Year 2001 based on airport operations. In addition, according to data reported by Airports Council International, the Airport ranked 18th in the nation and 28th in the world for Calendar Year 2001 based on total passengers. Total enplanements at the Airport for Fiscal Year 2002 were 12.6 million. In Calendar Year 2001, American together with TWA and American Connection Regional Partners, accounted for 76% of enplanements at the Airport. For further information see **"FACTORS AFFECTING THE AIR CARRIER INDUSTRY"** herein and **APPENDIX C — "FINANCIAL FEASIBILITY REPORT"** hereto.

Service Area

The Airport's primary service area consists of the St. Louis Consolidated Standard Metropolitan Statistical Area (the "St. Louis Area"), which includes the City, Franklin, Jefferson, Lincoln, St. Charles, St. Louis and Warren counties in Missouri and Clinton, Jersey, Madison, Monroe and St. Clair counties in Illinois. The Airport is currently the only major commercial airport in the St. Louis Area. The FAA identifies six reliever airports in the St. Louis Area. They are Spirit of St. Louis Airport in west St. Louis County, Missouri; St. Louis Downtown Parks Airport in Cahokia, Illinois; St. Louis Regional Airport in Bethalto, Illinois; St. Charles Municipal Airport and St. Charles County/Smart Airport, St. Charles County, Missouri; and Creve Coeur Airport in St. Louis County, Missouri. These airports do not have runway lengths sufficient to accommodate large commercial aircraft.

In addition, a new airport, MidAmerica Airport in St. Clair County, Illinois started operations in November 1997. MidAmerica Airport is intended to be a joint-use facility in connection with nearby Scott Air Force Base. The passenger terminal at MidAmerica Airport opened in April 1998 with four gates, but has the capacity to increase to 85 gates. Currently, MidAmerica Airport is used by the Air National Guard's 126th Refueling Wing. In April 1998, Langa Air, an aircraft and maintenance company, became MidAmerica's first commercial tenant. See **APPENDIX C - "FINANCIAL FEASIBILITY REPORT"** hereto.

Airfield Facilities

Currently the Airport has two parallel air carrier runways (runways 12R-30L and 12L-30R). In addition, the Airport has a crosswind runway (6-24) and runway 13-31, which is a converted taxiway that is used only for small aircraft in visual daytime conditions. The dimensions of each of the Airport's four concrete runways are as follows:

Runway 12R-30L -- 11,019 feet in length and 200 feet wide

Runway 12L-30R -- 9,003 feet in length and 150 feet wide

Runway 6-24 -- 7,602 feet in length and 150 feet wide

Runway 13-31 -- 6,289 feet in length and 75 feet wide

The primary runway, 12R-30L, may be used by the largest types of commercial aircraft without restrictions. Two of the three remaining runways, 12L-30R and 6-24, are sufficient in length to handle safely most types of aircraft now serving the Airport. Runway 13-31 serves the commuter air carriers and smaller types of general aviation aircraft. In addition to the runways, there are over 12 miles of 75-foot-wide concrete taxiways and four concrete holding pads. All runways and taxiways are equipped with FAA-approved lights with controllable brightness switching. Aircraft parking, servicing and refueling space is provided by 88 acres of concrete apron used by scheduled commercial air carriers and 18 acres of concrete apron leased to two fixed-base operators and used by general aviation aircraft.

Terminal Facilities

The main terminal at the Airport was completed in 1956 and originally consisted of three concrete shell domes with vaulted ceilings of acoustical plaster and glass walls supported by a steel framework. The main terminal has since been expanded by the addition of a fourth dome and a two-level passenger roadway system. An east addition to the main terminal was added in 1976. The main terminal contains 544,079 square feet of floor space on three levels and an additional 590,641 square feet in four concourses with 76 gates of mixed configuration. The east terminal has 234,000 square feet of building space with twelve gates for narrow body aircraft all of which are leased to Southwest Airlines. The international area consists of 69,959 square feet and is situated between the main terminal and the east terminal and includes the Federal Inspection Services Area ("FIS") and a common boarding area serving three narrowbody (or two widebody) aircraft gates. The east terminal includes a two-level roadway system with a covered area for curbside baggage service and passenger drop-off. The lower drive is for passenger pick-up, commercial transportation and passenger transport vehicles.

Public Parking

Public parking is provided in a 1,965-car multi-story parking garage adjacent to the main passenger terminal roadway and 980 spaces in a multi story parking garage located at the east terminal for a total of 2,945 short term spaces. An additional 993 spaces are available for intermediate-term parking in a surface lot immediately behind the parking structure at the main terminal and 3,757 spaces are currently available for long-term parking in remote lots served by shuttle buses. Additional parking is planned as part of the 2003-2004 Projects which will replace two existing lots and contain a total of 3,200 spaces when completed.

Other Facilities

The other principal structures owned by the City at the Airport are five cargo buildings and eighteen related shop and service buildings. In addition there are other structures at the Airport not owned by the City which include maintenance facilities for AMR Sub, general aviation hangars, a Missouri Air National Guard hangar and certain other cargo facilities.

In addition, there are two fixed based operators, Midcoast Aviation Services, Inc. which leases its facility from the City and Sabreliner Corporation which has a ground lease with the City and owns its building. They occupy various hangars and storage facilities at the Airport. The Boeing Company and the Missouri Air National Guard, both of which adjoin the Airport, use the Airport's runways and taxiways.

In December 2001, the City, The Boeing Company and McDonnell Douglas Corporation, a wholly owned subsidiary of The Boeing Company ("MDC"), closed on a transaction whereby the City acquired a 76-acre parcel of land adjacent to the northern boundary of the Airport (the "MDC Facilities"). The City paid $50 million for the MDC Facilities, which was funded from 2001A ADP Bond proceeds. MDC then leased the MDC Facilities back from the City at $5 million per year, for an interim period of three (3) years while it constructs replacement facilities on another parcel of land it will be leasing from the City at the Airport. The rental amount for the three-year term is $15 million, which was paid to the City at the closing. A portion of the lease payments will be used to pay interest through July 1, 2006 on that portion of the 2001A ADP Bonds issued to fund the acquisition. The Lease term expires June 30, 2004, after which the MDC Facilities will be available for redevelopment by the City.

A cargo facility is leased by St. Louis Air Cargo Services which in turn subleases facilities to Federal Express, United Parcel Service ("UPS"), Emery Freight and BAX Global sits on a 31.1 acre site and contains a 100,000 square-foot cargo building and a 448,000 square-foot aircraft parking apron. In January, 2000, UPS opened a new 18,000 square foot cargo warehouse facility adjacent to a 200,000 square foot parking apron.

Risk Management

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Airport participates in the Public Facilities Protection Corporation ("PFPC"), an internal service fund of the City of St. Louis, Missouri. The purpose of PFPC is to account for risks in which the City is self-insured, which are primarily workers' compensation, certain general liability claims, and various other claims and legal actions. All self-insured claims, liabilities and payments are recorded in PFPC. The Airport reimburses PFPC for workers' compensation claims on a cost-reimbursement basis.

The Airport purchases commercial insurance for the risks that are significant and which are not covered by the City's self-insured program. These coverages included commercial liability, property damage, business interruption, public officials' liability, employment liability, employee dishonesty, business auto, and insurance on the fine arts collection.

Since the September 11, 2001 Events, terrorism coverages have been excluded from the Airport's commercial liability, property damage and business interruption coverages. As of the date of this Official Statement, the Airport is uninsured for war casualty and terrorist acts since this coverage is not available on reasonable terms in meaningful coverage amounts. When such coverage becomes available upon reasonable terms, the Airport intends to obtain such coverage. On November 26, 2002, President Bush signed into law the "terror insurance bill" to shield the insurance industry from catastrophic costs of future terrorist attacks. The passage of this law may have a positive impact on the ability of the Airport to obtain terrorism coverages on reasonable terms in the future.

The Airport completed the renewal of its commercial insurance policies on October 1, 2002. With this renewal the Airport's premium for commercial liability with a limit of $350 million and property damage with a limit of $591 million increased 16% over the prior year to approximately $912,000.

In addition to the coverages stated above, the City created a Rolling Owner Controlled Insurance Program ("ROCIP") to provide workers' compensation general and special liability insurance to protect all enrolled contractors and their subcontractors. The ROCIP is designed to reduce conflicts among contractors and insurance providers, increase liability protection for all participants and reduce the total cost of the insurance in the runway expansion project.

AIRPORT MANAGEMENT

Introduction

The Airport is owned by the City and operated by the Airport Authority. The Airport Authority was created by the City's Board of Aldermen by an ordinance adopted in 1968 and consists of the Airport Commission, the Airport Authority's Chief Executive Officer and other managers and personnel required to operate the Airport. The Chief Executive Officer of the Airport Authority is the Director of Airports who is appointed by the Mayor for a term that runs concurrently with the Mayor's term of office or until his or her successor is appointed.

The Airport Commission is responsible for the planning, development, management and operation of the Airport. The Airport Commission currently consists of the Director of Airports, who serves as Chairman of the Airport Commission, the Comptroller of the City, the President of the Board of Aldermen, the Chairman of the Transportation and Commerce Committee of the Board of Aldermen, six members appointed by the Mayor, five members appointed by the St. Louis County Executive, one member appointed by St. Charles County, Missouri and one member appointed by St. Clair County, Illinois. The present members of the Airport Commission are set forth in this Official Statement.

Legislation has been introduced in the Missouri legislature in recent legislative sessions which would have transferred management of the Airport (but not ownership) to a new authority whose members would be appointed by the City, St. Louis County, St. Charles County, Jefferson County and Franklin County, Missouri. Under this proposed legislation, the number of members appointed by each entity would be based upon such entity's population; provided, however, that no entity would be permitted to appoint a majority of the members. Such legislation did not pass in the 2001 legislative session. The City strenuously opposed such legislation in the past and intends to strenuously oppose similar legislative proposals, if any, in the future.

Airport Staff

The Airport Commission and the Director of Airports have an Airport staff to aid them in carrying out their responsibilities. Key members of the Airport staff include a Deputy Director and four Assistant Directors.

Colonel Leonard L. Griggs, Jr. is the Director of Airports and Chairman of the Airport Commission. He has held these positions from 1977 through 1987 and from July 1993 to the present. Prior to his retirement as Colonel from the United States Air Force in 1977, Colonel Griggs was the Vice Commander of the Airlift Command at Scott Air Force Base in Illinois. After the end of his initial term as Director of Airports in 1987, he received a presidential appointment as Assistant Administrator for Airports with the FAA. He is also a member of the National Civil Aviation Review Commission. The Director of Airports, with the approval of the Airport Commission and the Board of Estimate and Apportionment of the City, has the power to enter into contracts, leases and agreements for use of the Airport properties and facilities. Contracts, leases and agreements for a term of more than three-years must also be authorized by the Board of Aldermen and, if such contract, lease or agreement relates to the construction of public works, the Board of Public Service. The Director of Airports, with the approval of the Airport Commission, has the power to establish schedules fixing all other fees and charges.

Gerard Slay is the Deputy Director of Airports. Mr. Slay's primary responsibilities include airfield and terminal buildings maintenance and operations. Mr. Slay joined the Airport in 1984 as the Airport Maintenance Manager and was promoted to his current position in February 2000.

Kenneth L. Below is the Assistant Director for Finance and Accounting. As the chief fiscal officer, he is responsible for the financial planning and management and contract administration functions at the Airport. Mr. Below has served in this capacity since December 1994. Prior to joining the Airport, he was employed by Martin Marietta for ten years.

Donald Ruble is the Assistant Director for Planning and Development. He is responsible for managing the construction of Airport improvements and noise mitigation programs. Mr. Ruble was first employed by the Airport in 1977 as an architect and was subsequently promoted to Architectural Manager in 1980. After serving four-years as the Architectural Manager, Mr. Ruble was promoted to Assistant Director for Planning and Engineering in 1984, before leaving the Airport to join the Sverdrup Corporation. Upon his return to the Airport in 1992, Mr. Ruble was employed as an Engineering Construction Manager until his promotion to his current position in 1996.

William Fronick is the Assistant Director for Engineering. He is responsible for the planning and design of the Airport's capital improvement projects. Mr. Fronick began his career at the Airport as an architect in 1983, was promoted to Architectural Manager in 1987, and has held his current position since 1996.

Jack Thomas is the Assistant Director for the Disadvantaged Business Enterprise Program. Mr. Thomas was previously the program manager of the Disadvantaged Business Enterprise Program, prior to his promotion to his current position in 2001.

THE AIRPORT CAPITAL IMPROVEMENT PROGRAM

Five Year Capital Improvement Program

The FY 2002-FY 2006 CIP is summarized by major element in the financial feasibility report (the "Financial Feasibility Report"), attached hereto as APPENDIX C. The total estimated cost of the FY 2002–FY 2006 CIP is $231 million, of which $91 million of the project costs for 2003-2004 Projects are being funded with a portion of the 2002 Bonds. An additional $76 million of project costs to be incurred during FY 2005 through FY 2006 will be funded with bonds to be issued at a later date. The balance of the FY 2002–FY 2006 CIP will be funded by approximately $10 million of proceeds of the City's Airport Revenue Bonds, Series 1997A and 1997B (1997 Capital Improvement Program) (the "1997 Bonds"), with the balance from AIP Grants, ADF amounts, PFC Revenues and interest earnings from bond proceeds.

The FY 2002–FY 2006 CIP includes various improvement and rehabilitation projects for the airfield, terminal, terminal roadway/curbside, terminal infrastructure, long-term public parking, parking garage and lots, and major maintenance programs. All of the projects included in FY 2003 and FY 2004, which require such approval, have been approved by an airline majority-in-interest (MII) under the procedures specified in the Use Agreements. To date, none of the FY 2005 and 2006 CIP Bond projects requiring MII approval have been submitted to the airlines.

FY 2002 Projects

In 2001, prior to the September 11, 2001 Events, the City began a new CIP process and obtained airline MII approval to undertake certain capital projects. The MII approval is required from no less than 50% of the Signatory Air Carriers that have an aggregate landed weight of more than 50% during the immediately preceding calendar year. The September 11, 2001 Events resulted in a moratorium on new capital spending for the balance of FY 2002. Projects identified during the 2001 CIP process, together with certain security enhancement projects identified in the spring of 2002, are now grouped as the FY 2002 Projects. The FY 2002 projects are being financed using AIP grants, PFC resources, ADF moneys and certain proceeds of the 1997 Bonds. No new bond moneys are anticipated for the FY 2002 projects.

The total cost of the FY 2002 Projects is approximately $35 million. Three of the projects have been completed or are in process, totaling $1.3 million; the remainder is planned to start in FY 2003.

In May 2002, the City received an AIP grant in the amount of $11.6 million to fund the costs of certain critical security projects at the Airport—projects developed to allow the Airport to respond to federal security directives enacted in the wake of the September 11, 2001 Events. The three projects include:

1. Explosives analysis and structural modifications to the Main Terminal and East Terminal garages and terminal buildings ($5.0 million);

2. Upgrading of the Airport's Part 107 access control system ($6.7 million); and

3. Acquisition of a finger print machine for processing security clearances and for security screening ($40,000).

The grant provided 100% funding for these projects. The structural modifications to the terminals and garages are intended to provide sufficient blast protection necessary for the garages to be used without physical inspection of vehicles—a significant labor saving measure. In 2001, the airlines approved design of the access control system project—a first step in the planned implementation of a new access control system.

FY 2003 and FY 2004 Projects

The 2003-2004 Projects represent those projects that the City plans to undertake over the next two years. These projects are being financed primarily with proceeds from the 2002 Bonds. All of the 2003-2004 Projects that require airline MII approval under the procedures of the Use Agreements have been approved by the Airlines. Major projects to be financed with proceeds of the 2002 Bonds are briefly described below:

Airfield Improvements

1. **Modifications to Airfield Electrical System:** This project involves improvements to the airfield electrical system to increase the reliability, upgrade lighting circuits to meet Category IIIa requirements, and address security concerns related to the current system. The upgrades will consist of a dual-feed power distribution system at 34.5 kV, two new airfield lighting vaults, and upgraded airfield lighting circuitry. The total estimated cost of this project is approximately $30 million of which $19.2 million is already funded through other sources. The portion of the project costs that will be funded with proceeds from the 2002 Bonds is $10.8 million.

Terminal and Infrastructure Improvements

1. **Concourse B, C, and D Upgrades.** This project consists of various modifications to Concourses B, C and D. The major components are: (1) removal of six loading bridges on Concourse D and the installation of 11 regional jet loading bridges,

(2) installation of 4 regional jet loading bridges on Concourse B, including preconditioned air units for all loading bridges on Concourses C and D, (3) electrical upgrades to meet power requirements for Concourses B, C, C extension and D, (4) renovation of several fixed bridges to accommodate changes in aircraft mix, (5) the build-out of a former commissary to provide for additional airline operations space, including installation of closed circuit TV and (6) miscellaneous improvements, including the installation of millwork, upgrades to ticket counters and holdrooms, including mill work on the North Airline Ticketing Office. This work is being requested by American and is estimated to cost \$15.4 million of which \$13.8 will be recovered from American through the imposition of a surcharge. The balance of the projects will be funded through the normal rate process at a cost of \$1.6 million.

2. **HVAC Improvements.** This project involves a major upgrading of climate control equipment and systems on the concourses and is a follow-on to a similar project undertaken in the Main Terminal as part of the 1997 Bond Program. The project includes replacing the air handling units in all of the concourses and providing new air takes, replacing DDC panels and controls for the air handling units that feed the Concourse C-D checkpoint, replacing various heating and ventilation units along with electronic controls, installing a chilled booster pump, replacing the heating and cooling converter stations and the reconfiguration of various climate control circuits. The estimated cost of this project is \$7.8 million.

3. **Concourse C Retail Development.** This project will provide for expansion of the north side of Concourse C on the apron and concourse levels to accommodate additional concessions, service areas and expanded passenger amenities. This will result in the relocation of existing restrooms and Airline operations spaces impacted by this project. Total cost of this project is \$5.3 million.

Improvements in Other Cost Centers

1. **Cypress Long-Term Parking Facility.** This project consists of developing a surface lot containing approximately 3,200 spaces, which will be located in a 34.5 acre area on the west side of Cypress Road and just south of I-70. The new parking facility will replace two existing long-term lots that are to be closed to make way for the new runway. The new Cypress Lot project will also include a customer service/operations building, a toll plaza, a vehicle service facility and a compressed natural gas fueling station. The estimated cost of this project is \$25 million.

2. **Main Terminal Parking Garage Structural Improvements.** This project provides for major structural rehabilitation of the Main Terminal parking garage, including rehabilitating the columns, beams, and pavement in the parking, drive slabs and the ramp system. The current structure was completed by 1970 and the combination of weather conditions and use of sodium over the years has resulted in the need for this project. The proposed improvements coupled with a yearly maintenance program should extend the useful life of the facility until 2015. This project is estimated to cost \$13 million.

3. **Springdale MetroLink Station.** This project includes the construction of a new MetroLink Station at the new Springdale employee parking facility. The project incorporates all electronic switches and includes the pavement of a right-of-way, screening over I70, and security access system from the platform to the employee facility,

parking inter-shuttle, pick up/drop off areas, lighting and related amenities. Total cost of this project is $5.6 million.

4. **Terminal Roadway Curbside.** This project involves various improvements to the terminal, roadside and curbside including; (1) a new passenger pick up area on the brown level of the garage, (2) a pedestrian bridge from the new pick up area to an area near the Main Terminal number 2 entry on the Ticketing Drive, (3) new finishes, lighting, ceilings, escalators, escalator enclosures, handrails and signage from the yellow level of the terminal building to the new pick up area, and (4) replacement of existing ramp and stairs and expanded walkway from the Baggage Claim to the Ticketing Drive. Total cost of this project is $3.0 million.

5. **Other Major Maintenance.** This project consists of rehabilitation of Lambert International Blvd, including the pavement for the east and west approaches to the bridge over Airflight drive. The total cost of this project is $2.8 million.

Balance of CIP Projects

The balance of the FY 2002–FY 2006 CIP consists of projects programmed during FY 2004 through FY 2006. A significant portion of these projects is expected to be financed with bonds that the Airport plans to issue in 2004. The scope and timing of these projects is uncertain at this time, and none of the projects has been submitted for airline MII approval.

As noted above, the City is undertaking a variety of security measures at the Airport including structural modifications to the terminals and parking garages to enhance blast protection, modifications to the security checkpoints, and upgrading of the existing access control system. The FAA has provided financial support for these measures through the grants provided to date. In addition, the Airport is evaluating potential structural improvements to the terminals to accommodate proposed new explosive detection equipment, but the cost of such measures is unknown at this time. Once defined, these additional improvements could be added to the current CIP, and federal participation in the costs of such measures is uncertain. In the absence of federal funding from the FAA or the Transportation Security Administration (the "TSA"), funding for such additional security measures would likely be funded from the ADF or the proceeds of additional bonds. However, airport management anticipates that any personnel expenses associated with these measures will be the responsibility of the TSA and not an operating expense of the Airport. On November 25, 2002, President Bush signed legislation authorizing the creation of the Department of Homeland Security. This is the largest reorganization of the federal government since World War II and it is not known at this time how the creation of this Department may impact the operations of and costs of security at the Airport.

PHASE 1 OF THE AIRPORT DEVELOPMENT PROGRAM

As previously stated, none of the proceeds from the 2002 Bonds will be used to fund the Airport Development Program ("ADP"). The major element of Phase 1 of the ADP is the new parallel air carrier runway (Runway 12R-30L), which is scheduled to be completed in 2006. The new runway will be parallel to the existing east-west runways at the Airport and separated to permit simultaneous operations when conditions require Instrument Flight Rules ("IFR"). Previous studies indicate the new runway should result in savings to the airlines in aircraft delay costs of approximately $50 million a year and have a benefit/cost ratio of greater than 2:1.[1/] The new runway project requires acquisition of a substantial number of residential and commercial properties, relocation of a portion of a major secondary road

[1/]Source: FAA Benefit-Cost Analysis for Lambert-St. Louis International Airport Capacity Enhancement Project, July 31, 1997.

(Lindbergh Boulevard), construction of new roadway interchanges, construction of the runway and related taxiways, and installation of required airfield lighting and navigational aids.[2/]

Phase 1 of the ADP also includes acquisition of land for future Airport support facilities, relocation of the Missouri Air National Guard (MoANG) facilities, and infrastructure for the future development of the northeast quadrant of the Airport. In addition, the City may finance certain replacement facilities for Airport tenants for which the City would be entirely reimbursed by those tenants. The major elements of Phase 1 of the ADP include:

- Program Management / Professional Services
- Land Acquisition for New Runway
- Northwest Land Acquisition
- New Runway
- Relocation of Missouri Air National Guard (MoANG)
- Northeast Quadrant Infrastructure
- Program Contingency

The total estimated cost of Phase 1 of the ADP is $1.11 billion.

With the anticipated refunding of the LOI 2000 Bonds, the future LOI grant receipts programmed for federal fiscal years 2003 through 2008 (which totals $82.9 million) will become available as a source of equity funding for Phase I of the ADP on a pay-as-you-go basis.[3/] This amount is roughly equivalent to the $78 million of Phase I of the ADP program contingency in the current ADP budget. In the original plan of financing prepared in connection with the issuance of the 2001 ADP Bonds, it was anticipated that an additional $93.4 million of Bonds would be required in FY 2004 to fund Phase I of the ADP program contingency.

1997 BOND PROGRAM

In 1997, the City issued the 1997 Bonds in the principal amount of $199.6 million to (1) provide bond financing for $115.4 million of project costs for projects in the Airport's 1997-2001 Capital Improvement Program, and (2) reimburse the City for $54.3 million of project costs of the East Terminal Expansion project—costs originally funded with PFC resources.[4/] The CIP projects financed with the 1997 Bonds are referred to as the 1997 Project. The PFC reimbursement element of the 1997 Project allowed the City to redirect PFC resources to fund initial land acquisition and other critical path elements of the Airport Development Program.

In 1999, the City and the airlines agreed to a temporary moratorium on the 1997 Project in order to jointly review the need for certain elements that had not yet been bid. As a result of that review, the City and the airlines agreed to defer indefinitely projects in the total amount of approximately $11.6

[2/]The FAA is expected to fund a substantial portion of the costs of the navigational aids required for the new runway from its Facilities & Equipment budget.
[3/]ADP project costs are expected to be incurred through FY 2006 and the last two LOI grant payments (in the aggregate amount of $27.9 million) are not expected to be received until after Phase I of the ADP has been completed, if the entire program contingency is required. Therefore, the City will need to borrow money in anticipation of the receipt of these last two grant payments through borrowing from the ADF or using other financing alternatives.
[4/]The final cost of the East Terminal project exceeded the original budget. PFC resources were applied to cover the additional costs, reducing the amount of PFC resources reimbursed from 1997 Bond proceeds to $42 million.

million,[5] and the budget for the 1997 Project was revised to $103.8 million. The moratorium has ended, and the City is now continuing to bid the remaining elements of the 1997 Project.

As of June 30, 2002, the City had bid various elements of the 1997 Project that had an aggregate original budget of approximately $76.4 million, or 73.5% of the revised 1997 Project budget. The aggregate value of the contracts awarded as of June 30, 2002 was $83.2 million, approximately $6.9 million over budget. However, through June 30, 2002, the City had obtained $8.2 million of AIP grants-in-aid for projects in the 1997 Project—grants that were not anticipated when the 1997 Bonds were issued in 1997. After taking these grants into consideration, the net Bond-funded cost of the 1997 Project is approximately $1.3 million under budget. The City expects to bid all of the remaining elements of the 1997 Project by the end of calendar year ("CY") 2002 and to complete the 1997 Project by June 30, 2004.

NOISE MITIGATION

The City has been undertaking a Part 150 Noise Mitigation Program (the "Part 150 Program") at the Airport for the past 15 years. The program is based on recommendations set forth in a Part 150 Study that was completed in 1987 and a subsequent Part 150 Update that was completed in 1997. Through June 30, 2002 the City had expended, encumbered or committed approximately $226 million for various noise mitigation measures, including (1) property acquisition, (2) purchase of aviation easements, (3) acoustical treatment of schools, (4) a pilot sound insulation program, (5) procurement of a noise management (monitoring) system, and (6) the relocation of the Berkeley High School Complex from the northeast quadrant of the Airport to an off-Airport site. The City expects to commit an additional $61 million for the Part 150 Program over the next several years, bringing the total cost of the program to $287 million.

These noise mitigation projects are voluntary and have no mandated schedule for commencement or completion and to date have been primarily funded with PFCs and AIP grants. The City may undertake additional noise mitigation measures in connection with the ADP. Such measures, if any, have not yet been determined and are not part of the currently approved Part 150 Program.

SELECTED HISTORICAL FINANCIAL INFORMATION

Revenues and Expenses

The financial statements of the Airport for the fiscal years ended June 30, 2002 and June 30, 2001 included in **APPENDIX D — "AUDITED FINANCIAL STATEMENTS OF THE AIRPORT"** to this Official Statement have been audited by KPMG LLP, independent auditors. For more detailed information on revenues and expenses of the Airport, see **APPENDIX C — "FINANCIAL FEASIBILITY REPORT"** hereto.

The following table sets forth the historical revenues and expenses of the Airport for GARB purposes for the fiscal years ended June 30, 2002, 2001, 2000, 1999, and 1998 based primarily upon the audited financial statements of the Airport for the fiscal years ended June 30, 2002. This Official Statement does not include audited financial information of the Airport after June 30, 2002.

[5] All but one of these projects has now been removed from the Airport's five-year capital improvement program. The City is proceeding with the design of a new communications center that the airlines requested be deferred. The City intends to apply the 1997 Bond proceeds originally allocated for these remaining projects (in the amount of $10.5 million) to projects of similar scope (airfield, terminal, and parking improvements) in the FY 2002-FY 2006 CIP.

LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT Airport Revenues and Expenses for GARB Purposes (in thousands)					
	(Fiscal Years Ended June 30)				
	1998	1999	2000	2001	2002
Revenues					
Air Carrier Fees	$54,129	$59,554	$65,631	$68,177	$70,479
Concession Fees	29,091	33,107	37,126	39,532	33,318
Cargo/Other Revenues	4,741	5,106	5,157	4,866	7,663
TWA Lease Charges	7,829	7,829	7,829	7,829	7,829
Interest Income	7,330	6,914	6,533	8,170	8,282
Total GARB Revenues	$103,120	$112,510	$122,276	$128,574	$127,571
PFC Pledged Revenue	0	0	0	0	21,894
Total Operating Revenues	$103,120	$112,510	$122,276	$128,574	$149,465
Total Operating Expenses	52,833	57,735	56,688	63,860	68,387
Net Revenues	$50,287	$54,775	$65,588	$64,714	$81,078
Aggregate Annual Debt Service On Outstanding GARB Bonds	37,169	36,469	47,603	46,946	62,228
Debt Service Coverage	1.35	1.50	1.38	1.38	1.30

Management Discussion

Revenues for GARB Purposes Estimated. GARB Revenues for the City Fiscal Year ended June 30, 2002 were \$127,571,000. This represents a decrease of \$1,003,000, or approximately 5.8% compared to the prior City Fiscal Year. This decrease was primarily due to declines in concession revenues coupled with a decrease in enplanements, which were partially offset by increases in Air Carrier Fees due to the completion of various capital projects and an increase in other revenue due to the rent from Boeing for lease of certain facilities recently acquired by the Airport from Boeing.

Expenses for GARB Purposes. Operation and Maintenance Expenses for City Fiscal Year ended June 30, 2002 were \$68,387,000. This represents an estimated increase of \$4,527,000, or approximately 7.1% compared to the prior City Fiscal Year. The increase was primarily due to increased personnel services associated with increased security requirements following the September 11, 2001 Events.

Net Revenues for GARB Purposes. The Airport's net revenues for GARB purposes for City Fiscal Year ended June 30, 2002 are \$59,184,000. This represents a decrease of \$5,500,000, or approximately 8.6% compared to the prior fiscal year. As noted above this decrease is primarily related to higher operation and maintenance expenses incurred during Fiscal Year 2002 due to increased security requirements.

PFC Revenues. The Airport collected a total of \$40.8 million in PFC Revenues (including investment earnings) in the City Fiscal Year ended June 30, 2002. PFC Revenues for FY 2003 are projected to be \$53 million. The Airport has FAA approval to collect and use approximately \$1.3 billion in PFC Revenues through 2017. In September 2001, the Airport obtained approval to increase the PFC rate from \$3.00 per passenger to \$4.50, which has been collected since December 2001. The Airport has scheduled a PFC consultation meeting with the FAA for December 2002, to discuss approval of a new application and amendments to existing applications.

AMR Sub Gates. The City has the right to reclaim and reassign to other air carriers up to 57 gates which were utilized by TWA, and are now utilized by AMR Sub, at the Airport if and to the extent that AMR Sub fails to maintain certain utilization standards with respect to its number of daily flight departures at the Airport. This may allow some or all of the gates to be used by other air carriers if for any reason AMR Sub's operations at the Airport were substantially reduced. Also, the City acquired ownership and control of certain of TWA's personal property, including loading bridges, baggage handling systems, ground power systems, de-icing systems, hold-room seating, office furnishings, counters, flight information display information systems, motorized and non-motorized ramp and maintenance equipment. The City believes that its right to reclaim and reassign gates in the event of reductions in AMR Sub's operations at the Airport, together with the City's ownership of the personal property, may enhance the City's ability to maintain revenues from air carriers at the Airport. For additional information regarding TWA, AMR and AMR Sub see **"FACTORS AFFECTING THE AIR CARRIER INDUSTRY"** herein and **APPENDIX C — "FINANCIAL FEASIBILITY REPORT"** hereto.

The City's Cargo Leases and Use Agreements permit the City to adjust rental rates for each rate period to reflect overpayments or underpayments that occurred during the preceding rate period. The City is not permitted to adjust any air carrier rental rates for deficiencies resulting from the failure of any air carrier, including AMR Sub, to pay lease charges. In connection with any deficiencies in landing fees, the City anticipates allocating such deficiencies in current calendar year airfield operations to the air carriers in subsequent calendar year adjustments.

No assurance is given that a bankruptcy filing by or against any air carrier will not result in delay in enforcing the City's legal, equitable and contractual rights in and to its property interests described above.

The following table from **APPENDIX C - "FINANCIAL FEASIBILITY REPORT"** hereto, summarizes the calculation of Signatory Air Carrier landing fees and terminal rents for the City Fiscal Years ending June 30, 2003 through 2008 forecast period and shows the calculation of average Signatory Air Carrier cost per enplaned passenger. Although the Use Agreements and Cargo Leases expire December 31, 2005, the calculations in the table are based on the existing Use Agreements and Cargo Leases. The average Signatory Air Carrier cost per enplaned passenger is forecast to increase from $5.46 in FY 2003 to $5.81 in FY 2005 when the FY 2003 and 2004 projects are projected to be fully rate based. The Signatory Air Carrier landing fee rate is forecast to increase from $2.13 in FY 2003 to $2.24 in FY 2005.

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Table V-4
SUMMARY OF AIRLINE REVENUES, COST PER ENPLANED PASSENGER AND RATES
BASE CASE
Lambert-St. Louis International Airport
For Fiscal Years Ending June 30
(in thousands)

	Forecast					
	2003	**2004**	**2005**	**2006**	**2007**	**2008**
SIGNATORY AIRLINE REVENUES						
Landing Fees	$42,877	$46,277	$47,317	$52,544	$77,780	$78,902
Terminal Building Rentals						
Main terminal	$7,070	$7,746	$7,895	$8,213	$8,464	$8,590
Concourses A, B & C	5,772	6,182	6,793	8,319	8,635	8,789
Concourse C extension	3,638	3,935	3,883	4,186	4,326	4,211
Concourse D	2,214	2,427	2,530	3,649	3,750	3,812
East connector	443	494	513	601	628	636
East terminal	4,767	5,007	5,106	5,585	5,739	5,824
AA Tenant Surcharge		542	1,085	1,085	1,085	1,085
	$23,904	$26,333	$27,805	$31,638	$32,626	$32,946
TOTAL SIGNATORY AIRLINE REVENUES-- BASIC RATES AND CHARGES	$66,781	$72,611	$75,122	$84,182	$110,406	$111,849
Signatory airline enplaned passengers	12,242	12,668	12,939	13,204	13,470	13,740
Cost per enplaned passenger	$5.46	$5.73	$5.81	$6.38	$8.20	$8.14
SIGNATORY AIRLINE RATES						
Landing Fee Rate (per 1,000 pounds)	$2.13	$2.24	$2.24	$2.44	$3.55	$3.53
Average Terminal Building Rental Rates						
Main Terminal	$40.99	$45.45	$46.44	$48.53	$50.19	$51.02
Concourses A, B, and C	$30.24	$32.39	$35.59	$43.58	$45.24	$46.04
Concourse C Extension	$43.87	$47.45	$46.83	$50.48	$52.17	$50.78
Concourse D	$38.50	$42.24	$44.06	$63.76	$65.54	$66.62
East Connector	$25.80	$28.76	$29.83	$35.00	$36.54	$37.02
East Terminal	$41.47	$43.97	$45.00	$49.98	$51.58	$52.46

AIR CARRIER SERVICE

The following Section outlines the current status of Air Carrier Service at the Airport. For further information, see "FACTORS AFFECTING THE AIR CARRIER INDUSTRY" herein and APPENDIX C – "FINANCIAL FEASIBILITY REPORT" hereto.

General

Scheduled air carrier service between the Airport and over 100 domestic and international locations is provided by the air carriers shown below.

Major (Signatory) Air Carriers	Regional Air Carriers	Air Cargo Carriers
America West	Air Canada	American International
American	Chautauqua*	Airborne Express
Continental	Comair	Air Transport International
Delta	Continental Express	DHL Airways
Northwest	Corporate Air	Emery Airfreight
Southwest	Skyway Airlines	Federal Express
United	Mesa	United Parcel Service
US Airways	Mesaba	
TWA LLC**	Skyway	
	Trans States*	

* Trans States and Chautauqua are signatory carriers, all of which operated under the fully branded name, Trans World Express.

** Wholly owned subsidiary of American. Referred to as AMR Sub elsewhere in this Official Statement.

Passenger Enplanements

Passenger enplanements at the Airport are categorized as either originating or connecting. Originating passengers are those who begin their travel from within the Airport's service area. Enplaning passengers who originate their travel within the Airport's service area and those deplaning at the Airport with an ultimate travel destination within the Airport's service area, constitute the Airport's "Origin and Destination" demand for service. Connecting passengers are those whose travel begins and ends outside the Airport's service area. In deplaning and enplaning at the Airport, connecting passengers are referred to as "hub" activities. The table which follows shows, for the periods indicated, the origin and destination and connecting enplanements traffic at the Airport.

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TABLE IV-4
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
O&D AND CONNECTING ENPLANEMENTS
1992-2002

Year	O&D Actual	O&D Share	Connecting Actual	Connecting Share	Total Enplanements
CY 1992	6,181,234	59.0%	4,297,267	41.0%	10,478,501
1993	6,270,884	63.1%	3,671,189	36.9%	9,942,073
1994	6,938,220	59.5%	4,728,447	40.5%	11,666,667
1995	6,967,981	54.2%	5,879,099	45.8%	12,847,080
1996	7,122,202	52.2%	6,509,252	47.8%	13,631,454
1997	7,144,372	51.7%	6,676,207	48.3%	13,820,579
1998	7,107,768	49.6%	7,226,561	50.4%	14,334,329
1999	7,127,141	47.2%	7,965,840	52.8%	15,092,981
2000	7,260,756	47.5%	8,040,822	52.5%	15,301,578
CY 2001	6,347,313	47.4%	7,042,280	52.6%	13,389,593
FY 1999	7,156,835	49.1%	7,422,499	51.0%	14,563,422
FY 2000	7,193,492	47.1%	8,065,665	52.9%	15,259,157
FY 2001	7,034,255	46.9%	7,949,293	53.1%	14,983,548
FY 2002	5,796,816	45.9%	6,840,425	54.1%	12,637,241
Average Share					
CY 1992-2001	-	**53.6%**	-	**46.9%**	-
Average Annual Growth Rate					
CY 1992-2000	2.0%	-	8.1%	-	4.8%
CY 2000-2001	-12.6%		-12.4%		-12.5%
FY 1999-2001	-0.9%	-	3.5%	-	1.4%
FY 2001-2002	-17.6%		-13.9%		-15.7%

Source: Airport management.

FACTORS AFFECTING THE AIR CARRIER INDUSTRY

September 11 and Related Events

On September 11, 2001 terrorists seized control of four U.S. commercial passenger flights crashing two aircraft into the World Trade Center in New York City, one aircraft into the Pentagon in Arlington, Virginia and one aircraft in Somerset, Pennsylvania. In response to these catastrophic events, the FAA ordered the complete shutdown of the U.S. aviation system for a period of two days. The Airport re-opened on September 13, 2001, but with significantly lower traffic levels. Thereafter, air service levels were gradually restored, but passenger traffic remained well below FY 2001 levels.

The declines in passenger traffic at the Airport in FY 2002 reflect the response of American and the other airlines to the September 11, 2001 Events, but also reflect decisions by American to adjust service levels at the Airport in the face of the current national economic slowdown and to move toward more profitable performance at its St. Louis hub. American recently announced additional plans to reduce further its systemwide capacity—a move that is likely to have some adverse effect on service levels and passenger traffic at the Airport. However, cutbacks on specific routes and at specific airports have not yet been announced. In general, American plans to reduce jet service but, to the extent possible, increase regional jet service on routes to small and medium size cities at its hub airports, including the Airport.

The September 11, 2001 Events appear to have altered consumer travel choices and reduced demand for air travel—particularly among high-yield business travelers. These post-September 11th trends have been exacerbated by the current national economic slowdown and decisions by American to rationalize its route system at its St. Louis hub. These factors suggest that there exists today greater uncertainty regarding future trends of passenger traffic at the Airport than was the case prior to the September 11, 2001 Events.

The report of the Airport consultant indicates that between CY 1992 and CY 2000 enplanements grew at an average rate of 4.8% per year; above the national average of 3.9% per year for the same period. For CY 2001 enplanements declined by 12.5%; above the national average of 6.9% for the same period. Since September 11, 2001, most major airlines have warned that they will suffer significant losses, and certain airlines have warned investors of the potential for bankruptcy if passenger demand remains low and costs cannot be contained. Additionally, many domestic airlines have had their credit ratings downgraded by national credit rating agencies and all domestic airlines were placed on credit review lists maintained by national credit rating agencies. Potential investors are urged to review the airlines' recently filed financial information.

The United States is engaged in a military offensive in response to the September 11, 2001 Events. The Airport cannot predict the likelihood of future attacks or of such hostilities spreading or escalating further. Nor can the Airport predict the impact such occurrences would have on the air transportation system and the financial condition of the Airport or of any of the airlines operating at the Airport.

General

No assurance can be given as to the levels of aviation activity which will be achieved at the Airport in future fiscal years. Future traffic at the Airport is sensitive to a variety of factors including: (1) the growth in the population and economy of the area served by the Airport, (2) national and international economic conditions, (3) air carrier economics and air fares, (4) the availability and price of aviation fuel, (5) air carrier service and route networks, (6) the capacity of the air traffic control system, and (7) the capacity of the Airport/airways system. Slow or negative traffic growth in many areas;

increased competition among air carriers; consolidation and mergers among air carriers; increased fuel, labor, equipment and other costs; and increases in the requirements for and the cost of debt capital have combined recently to reduce profits materially or to cause losses for the air carriers.

The level of aviation activity at the Airport can have a material impact on the amount of PFC Revenues and the amount of Revenues of the Airport. First, the amount of the PFC Revenues is based upon the number of enplanements at the Airport. Any decrease in enplanement levels whether due to a general decrease in aviation activity nationwide or a decrease in aviation activity at the Airport only, will cause a decrease in the amount of the PFC Revenues received by the Airport. The amount of moneys to be deposited into the Revenue Fund in any given month is also dependent upon (1) payment of amounts due from air carriers under the Signatory Air Carriers' Use Agreements and Cargo Leases and the AMR Sub Asset Lease and (2) the level of concession and non-air carrier revenues, which is dependent upon activity at the Airport. Amounts available for deposit in the Revenue Fund could be adversely affected by delays or defaults in the payments of rates and charges by the air carriers at the Airport.

National and International Economic and Political Conditions. Historically, air carrier passenger traffic nationwide has correlated closely with the state of the United States economy and levels of real disposable income. Sustained future growth in domestic air carrier passenger traffic will depend largely on the ability of the nation to sustain economic growth.

As international trade and air travel has increased, international economics, currency exchange rates, trade balances, political relationships, and conflicts within and between foreign countries have become important influences on passenger traffic at major United States airports. Aviation security precautions and safety concerns arising from international political conflicts can also affect air carrier travel demand.

Beginning in February 2001 the Airport was experiencing negative growth. It is likely that the negative trend for airline enplanements can, in part, be explained by the TWA bankruptcy and purchase of its assets by AMR Sub and a downward trend in the national economy. The decrease in enplanements beginning in February, 2001, took place after TWA filed for bankruptcy protection. During that month, TWA's enplanements at the Airport decreased by 12.3% compared with the previous year. This is also consistent with the slowing of the growth pace of the national economy. The growth pace of the national economy peaked in the year 2000 at 5% as measured by U.S. real Gross Domestic Product (GDP) and slowed to 1.3% during the first quarter of 2001 and 0.2% during the second quarter of 2001.

In September 2001, departures at the Airport decreased 15.6% compared to September 2000. For FY 2002 departures decreased 11.4% from FY 2001. The average number of air carrier enplanements per departure decreased significantly following the events of September 11, 2001. However, passenger load has since recovered and has increased over the 2001 levels since February 2002. In addition, Regional aircraft departures were increasing prior to September 2001, the growth was set back in September and October of 2001 but has since resumed. Regional aircraft departures increased 11.7% in FY 2001 and 9% in FY 2002. The average number of enplanements per regional aircraft departure has also been increasing.

Overall, for the CY 2001, enplanements decreased by 13.1%. However, international enplanements increased 30.5% for the same period due to a significant increase in international enplanements by American and its regional partners. The high rate of growth in international traffic is continuing in CY 2002. *See Table IV-3 in the Financial Feasibility Report.*

Air Carrier Service and Routes. While passenger demand at an airport depends on the population and the economy of the region served, air carrier service and the number of passengers enplaned also depend on the route networks of the air carriers serving that airport. Domestic air carriers are free to enter or leave individual air traffic markets, and to increase or decrease service, at will. Most major air carriers have developed "hub-and-spoke" route networks as a means of increasing their service frequencies, passenger volumes, and profitability. A majority of the passenger travel at the Airport is characterized as "origin or destination." This means that for most passengers, the Airport is either the origin or destination of their travel.

There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but the price of aviation fuel continues to be an important and uncertain determinate of an air carrier's operating economics. Fluctuating fuel prices have caused corresponding fluctuations in airfares and air carrier operating results. Fuel is the second largest cost component, and any increase in fuel prices would increase airline operating costs. However, fuel prices began to decline sharply in late 2001 as the worldwide economy faltered, and fuel productivity has steadily increased as airlines invested in more fuel-efficient aircraft and engines.[6] The Organization of Petroleum Exporting Countries (OPEC) continues to limit oil production to keep fuel prices from falling. The threat of war with Iraq and concern about potential disruption in oil shipments from the Persian Gulf is also increasing fuel prices. Inspectors from the United Nations returned to Baghdad on November 18, 2002 to search for biological, chemical and nuclear weapons. The United Nations has threatened "serious consequences" if Iraq fails to cooperate.

Air Carrier Economics, Competition, and Airfares. Air carrier fares have an important effect on passenger demand, particularly for relatively short trips where the automobile or other travel modes are alternatives and for price-sensitive "discretionary" travel, such as vacation travel. Airfares are influenced by air carrier operating costs and debt burden, passenger demand, capacity and yield management, market presence and competition.

Capacity of National Air Traffic Control and Airport Systems. Demands on the nation's air traffic control system continue to cause aircraft delays and restrictions, both on the number of aircraft movements in certain air traffic routes and on the number of landings and takeoffs at certain airports. These restrictions affect air carrier schedules and passenger traffic nationwide. In addition, increasing demands on the national air traffic control and airport systems could cause increased delays and restrictions in the future.

Airport Recovery Plan in Response to September 11, 2001 Events

Immediately following the September 11, 2001 Events the Airport Director and key members of his staff met and formulated a strategy to address the potential financial impacts that would face the Airport in the coming months.

Capital Spending. During the period October 1 through December 31, 2001 Airport staff reassessed the 5-year capital needs of the Airport, excluding Phase I of the ADP. During this process, only projects deemed essential to the safe operation of the Airport, or projects that could improve/create additional revenue opportunities (i.e., Cypress long-term parking lot, redevelopment of various concession space) were identified for immediate financing (i.e., 2002 bond projects). All other non-essential projects were deferred until late FY 2004 or later.

Operating and Maintenance Spending (excluding security initiatives). Personnel expenses, which comprise over 50% of the Airport's operating budget, were identified for potential savings. Specifically, a hiring freeze was initiated for the remainder of FY 2002 and has been held in place for FY 2003 for all non-essential positions. All personnel vacancies resulting from an employee retiring or being terminated

[6] Air Transportation Association, "A Report on Recent Trends for U.S. Air Carriers," *State of the U.S. Airline Industry*, 2002.

must be evaluated before the position is refilled, unless the position is deemed essential to the operation of that department.

All non-personnel expenses are being monitored and adjustments are being made based on need. Materials and supplies, contractual services and miscellaneous expenses are being managed based on the current level of passenger and airline activity. Department heads were instructed to maintain spending levels that are only those essential for safe operation and maintaining passenger satisfaction from the use of the airfield, terminal and concourses.

Security Initiatives. Airport management continues to follow and implement security initiatives based on the policy and guidelines established by the TSA. In addition to increasing the police force to meet the heightened security requirements following the September 11, 2001 Events, Airport management also formed a security task force to address the capital initiatives that will be required to meet the installation of the explosive detection machines and possible building modifications. Additionally, the task force monitors all other security initiatives being contemplated by the TSA to ensure that the Airport remains in compliance with all federally mandated security requirements.

Retaining Minimum Annual Guarantees (MAGS). The Airport currently has MAGS for the Food and Beverage, Merchandising, and Rental Car concession revenues at the Airport. Following the September 11, 2001 Events the MAGS have limited the Airport's exposure to fluctuations in revenues caused by the decline in enplanements. Therefore, despite some early requests from concessionaires for possible relief from this contractual obligation, Airport management continues to enforce the collection of the MAGS.

Marketing Program. The Airport continues to experience depressed parking revenues following the September 11, 2001 Events, primarily due to the discontinuation of meeters and greeters and the lower rate of enplanements. In order to initiate a positive turnaround Airport management is initiating a new marketing program that will create brand awareness for all Airport parking facilities. Enhanced services will include valet parking, frequent parking program, corporate program and improved shuttle service.

Federal Legislation in Response to September 11, 2001 Events

On September 21, 2001, the Air Transportation Safety and System Stabilization Act (the "Stabilization Act") was enacted into law. The Stabilization Act provides in part for: (i) $5 billion in payments to compensate domestic airlines for losses incurred as a result of the September 11, 2001 Events; (ii) $10 billion in federal loan guarantees to domestic airlines, subject to certain conditions and fees, including the potential requirement that the federal government be issued warrants or other equity instruments in connection with such loan guarantees; (iii) limitations on air carrier officer and employee compensation if the air carrier participates in the federal loan guarantee program; (iv) reimbursement by the federal government to domestic airlines for certain increased insurance costs for the operation of aircraft; (v) deferral of payment by domestic airlines of certain taxes; and (vi) limitation of liability for domestic airlines. In addition, the Stabilization Act established a federal victims compensation fund and claims procedure relating to the September 11, 2001 Events.

On November 19, 2001, the Aviation Security Act (the "Aviation Security Act") was enacted into law. The Aviation Security Act provides in part for the federalization of airport security. The federalization of airport security was initiated on February 17, 2002. Federalization of airport security at the Airport took place in September 2002. The bill also permits the deployment of air marshals on all flights and requires deployment of air marshals on all "high risk" flights. The airlines are to provide a payment of approximately $700 million to finance the federal security service which is the estimate of the cost of providing such service prior to September 11, 2001. The Aviation Security Act also provides for a passenger fee of $2.50 for each flight segment, not to exceed $5.00 per one-way trip.

Financial Condition of Certain Airlines Serving the Airport

The Airport derives a substantial portion of its operating revenues from landing and facility rental fees. The financial strength and stability of the airlines using the Airport, together with other factors, impacts the level of aviation activity at the Airport. In addition, individual airline decisions regarding level of service, particularly hubbing activity at the Airport, impacts the number of enplanements.

AMR Sub's Acquisition of TWA's Assets

Prior to April 9, 2001, TWA was the Airport's primary air carrier. On January 10, 2001, TWA filed its petition for reorganization under Chapter 11 of the United States Bankruptcy Code and filed with the petition a motion for authority to sell substantially all of its assets to American or its designees, including AMR, the parent company of American. The motion to sell assets was approved by the United States Bankruptcy Court for the District of Delaware on March 12, 2001. The sale of TWA's assets to AMR Sub was closed on April 9, 2001. In connection with the sale, TWA assumed and assigned to AMR Sub the Use Agreement, the Cargo Lease and the Asset Lease between TWA and the City. AMR Sub has agreed to make timely payments. TWA also assumed and assigned to AMR Sub the contract with its regional affiliate, Trans World Express. As a result of the sale, American became the nation's largest air carrier with about 22% of the United States market and became the largest scheduled passenger airline in the world. In its Form 10-K dated March 22, 2001, AMR stated that with the acquisition of TWA's assets, it "expects to strengthen its position in several key domestic markets. The TWA transaction will provide American with a hub operation in St. Louis which will serve to strengthen the Company's position as an east/west carrier."

In City Fiscal Year 2001, TWA accounted for 94.6% of the Airport's total connecting enplanements. No assurances can be given that AMR Sub will continue hubbing operations at their existing level at the Airport. Accordingly, no assurance is given as to the level of aviation activity that will be achieved at the Airport.

AMR

AMR's net loss was $1.762 billion or $11.43 per common share in 2001, compared to net earnings of $813 million or $5.43 per common share ($5.03 diluted) in 2000. AMR had total operating revenue of $18.963 billion in 2001, versus $19.763 billion in 2000; and total operating expenses of $21.433 billion in 2001 versus $18.322 billion in 2000.

Special items impacting AMR's results in 2001 included: aircraft charges of approximately $1.237 billion primarily related to the write-down of the carrying value of certain aircraft and acceleration of the retirement dates of certain leased aircraft resulting in certain lease commitments and return condition costs on the operation of leased aircraft past the dates they will be removed from service; facility exit costs of approximately $115 million primarily related to discontinued or reduced service at certain airports and on certain international routes; charges of approximately $71 million related to employee termination benefits necessitated by reductions in AMR's workforce; and other special charges of approximately $43 million for AMR's employee home computer program. Total special charges for 2001, less $856 million in U.S. Government grant monies, were approximately $610 million.

Following the September 11, 2001 Events, American reduced its system-wide operating schedule to approximately 80% of the schedule it flew prior to September 11, 2001. As a result of its schedule reductions and a significant decline in passenger traffic, it eliminated approximately 20,000 jobs.

AMR reported a net loss of $924 million for the third quarter of 2002, compared to a net loss of $414 million after special items for the same quarter in 2001, and a net loss for the nine-month period ended September 31, 2002 of $2.982 billion, compared to a net loss of $964 million for the same nine-month period in 2001. AMR is implementing cost saving measures, including deferring delivery of 34 Boeing planes between 2003 and 2005, and placing 42 aircraft in short term storage until 2005. In addition, AMR has reduced its capital expenditure plan by more than $1.5 billion for 2003-2005.

The foregoing information is derived from, and is qualified by, the information contained in AMR's Form 10-K for the year ended December 31, 2001 and Form 8-K dated October 16, 2002, filed with the United States Securities and Exchange Commission ("SEC"). More complete information is contained in such filings. See "Additional Information" below.

For more information on AMR Sub's operations at the Airport, see **APPENDIX C - "FINANCIAL FEASIBILITY REPORT"** hereto and **"AIR CARRIER SERVICE"** herein.

US Airways

For the year ended December 31, 2001, US Airways Group, Inc. ("US Airways") and its affiliates generated approximately 1.3% of the operating revenues at the Airport. For the year ended December 31, 2001, US Airways reported a net loss of $2.117 billion, compared to a net loss of $269 million for the year ended December 31, 2000. US Airways reported a net loss of $852 million for the nine-month period ended September 30, 2002, compared to a net loss of $960 million for the same nine-month period in 2001.

US Airways filed an application with the Air Transportation Stabilization Board ("ATSB") for $900 million in federal loan guarantees in June 2002, and has received preliminary approval of its application subject to its obtaining $1.2 billion in wage concessions from it employees and debt concessions from its aircraft leasing companies, lenders and suppliers. On August 11, 2002, US Airways filed for protection under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Eastern District of Virginia, Alexandria Division, in Alexandria. Chapter 11 permits a company to continue operations while it develops a plan of reorganization under the jurisdiction of the Bankruptcy Court and in accordance with the provisions of the Bankruptcy Code. US Airways is seeking to develop a plan of reorganization to return it to profitability. On September 26, 2002, US Airways entered into a definitive investment agreement with a proposed plan of reorganization equity sponsor, and US Airways has also accepted a commitment for a fully-underwritten $500 million debtor-in-possession financing facility which has been approved by the Bankruptcy Court. On November 22, 2002, attorneys for U.S. Airways filed a motion to reject a gate lease between US Airways and the City. Although the Bankruptcy Court has not yet ruled on the motion, the City expects that the termination of the lease would not have a material impact on the Airport's operations.

Although US Airways expects to file a reorganization plan that provides for emergence from Chapter 11 in March 2003, there can be no assurance that a reorganization plan will be proposed by US Airways or confirmed by the Bankruptcy Court, or that any such plan will be consummated. No assurance can be given that US Airways will continue to operate at the Airport.

The foregoing information is derived from, and is qualified by, the information contained in US Airways, Form 10-K for the year ended December 31, 2001 and Form 10-Q for the quarter ended September 30, 2002, filed with the SEC. More complete information is contained in such filings. See "Additional Information" below.

UAL

For the year ended December 31, 2001, UAL Corporation ("UAL") and its affiliates, including United Airlines, Inc. ("United"), generated approximately 1.8% of the operating revenues at the Airport. UAL reported a net loss of $2.11 billion for the fiscal year ended December 31, 2001, compared to net earnings of $52 million for the fiscal year ended December 31, 2000. UAL reported a net loss of $1.770 billion for the nine-month period ended September 30, 2002, compared to a net loss of $1.794 billion for the same nine-month period in 2001.

Since the September 11, 2001 Events, UAL has faced significant financial and operational challenges, including a significant decline in revenues and $875 million of debt maturities in the fourth quarter of 2002. In June 2002, UAL filed an application with the ATSB requesting federal loan guarantees for $1.8 billion of a proposed $2.0 billion loan, which was denied by the ATSB on December 4, 2002. On December 9, 2002, UAL and certain of its United States subsidiaries, including United, filed for protection under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division, in Chicago. United will continue to operate its business under the jurisdiction of the Bankruptcy Court while UAL develops a plan of reorganization. To ensure the smooth operation of the airline, UAL has requested relief from the Bankruptcy Court allowing it to, among other things, continue customer programs, continue making regular and timely payments to fuel vendors, hotels and other services, obtain debtor-in-possession financing, assume clearinghouse and interline contracts and pay employee salaries, wages and benefits without interruption.

In connection with its filing, UAL has obtained commitments for debtor-in-possession (DIP) financing aggregating $1.5 billion, access to $700 million of which is subject to certain terms which require that UAL achieve performance milestones under its business plan, including substantial cost savings in the near term. In addition to approximately $800 million in unrestricted cash-on-hand, UAL expects that the DIP financing will provide adequate liquidity to meet the anticipated needs of UAL and all of its operating units to continue normal operations throughout the Chapter 11 process.

Although UAL has stated that its goal is to complete the Chapter 11 process within 18 months of its bankruptcy filing, there can be no assurance that a reorganization plan will be proposed by UAL or confirmed by the Bankruptcy Court, or that any such plan will be consummated. UAL has said that its restructuring may result in route or service changes, and no assurance can be given that United will continue to operate at the Airport.

The foregoing information is derived from, and is qualified by, the information contained in United's Form 10-K for the year ended December 31, 2001, Form 10-Q for the quarter ended September 30, 2002, and Form 8-K dated December 2, 2002, filed with the SEC. More complete information is contained in such filings. See "Additional Information" below.

Additional Information

The Signatory Air Carriers (including the corporate parents of American, Continental, United and Northwest) and certain other air carriers operating at the Airport (or their respective parent corporations) are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the SEC. Certain information, including financial information, as of particular dates, concerning each air carrier (or their respective parent corporations) is included in such reports. The reports may be inspected in the Public Reference Room of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the SEC's regional offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of the reports may be obtained from the Public Reference Section of the SEC at the above address at prescribed rates. In addition, each Signatory Air Carrier and certain other air carriers are required to file periodic reports of financial and operating statistics with the United States Department of Transportation. Such reports may be inspected at the following location: Office of Airline Statistics, Research and Special Programs Administration, United States Department of Transportation, Room 4201, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the United States Department of Transportation at prescribed rates. The foreign air carriers also provide certain information concerning their operations and financial affairs, which may be obtained from the respective air carriers. Certain information regarding TWA and the sale of assets to AMR Sub may be obtained from the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware and the United States Court of Appeals for the Third Circuit. The City makes no representation with respect to, and assumes no responsibility for, the accuracy or completeness of, any information filed by the air carriers with the Department of Transportation or any pleading filed in any of the referenced Courts.

FINANCIAL FEASIBILITY REPORT

The Financial Feasibility Report attached as ***APPENDIX C*** *to this Official Statement must be read in its entirety to understand the assumptions upon which the forecasts therein are based and the qualifications which have been made. There is no assurance that the forecasts will be achieved. Actual future events will likely vary from the forecasts, and such variances may be material.*

General

The Financial Feasibility Report of Unison-Maximus, Inc. (the "Airport Consultant") is included in reliance upon the knowledge and experience of the Airport Consultant. The principals of the Airport Consultant have participated in financial feasibility studies supporting the sale of over $4 billion of general airport revenue bonds and almost $850 million in special facility revenue bonds for airport projects. The Airport Consultant and its principals have provided consulting services to most of the major airports in the United States.

The Airport Consultant has analyzed the ability of the City to meet its financial obligations related to the 2002 Bonds through the City's fiscal year ending June 30, 2008. The Financial Feasibility Report describes key factors which impact aviation activity and operations at the Airport, including activity forecasts and revenue and expense projections.

The Financial Feasibility Report provides background information on the Airport and its operations, the ADP, the Master Plan, the 1997 Bond Program, the Part 150 Program and the FY 2002 – FY 2006 Capital Improvement Program Projects and describes certain of the provisions of the Indenture. The Financial Feasibility Report also describes the purpose of the 2002 Bonds with an overview of the plan of financing. An analysis of the Airport's service area and economic base is provided in the Financial Feasibility Report in order to determine the impact of such factors on the level of travel to and from the Airport. The Financial Feasibility Report summarizes the historical and projected aviation activity at the Airport and provides an analysis of the factors which impact these statistics.

Assumptions

The Financial Feasibility Report projects enplanements, revenues and expenses based upon the following assumptions:

1. The City will implement the current 5-Year CIP as currently planned and project budgets and schedules will be achieved as currently scheduled.

2. The City will accomplish Phase I of the ADP within the current budget of $1.1 billion.

3. The new runway will become operational in the first quarter of calendar year 2006.

4. American will continue to operate a system hub at the Airport throughout the forecast period.

5. The FAA will comply with the LOI and provide the City with the anticipated $141 million of AIP funding for Phase I of the ADP through Fiscal Year 2008.

6. After the expiration of the existing Use Agreements on December 31, 2005, the City will establish airline rates and charges (either under a successor agreement or by ordinance) to provide airlines revenues at least equal to those that would be generated under the existing Use Agreements.

Findings and Conclusions

The summary table on page 50 summarizes the principal findings of the financial forecasts for the Base Case and the two Sensitivity Cases (High and Low) addressed in the Financial Feasibility Report and compares those projections with results from the Base Case.

Base Case – assumes the negative impact of September 11, 2001 Events would result in a permanent downward shift in air travel demand, comprising approximately a 20% reduction in scheduled departures. The future growth during the forecast period is based on the future expansion of the economy.

As indicated in the Financial Feasibility Report and the summary table for the Base Case in Section V therein, Revenues are forecast to be sufficient to pay Operation and Maintenance Expenses and meet all of the other funding requirements of the Indenture in each year of the forecast period, Fiscal Year 2003 through Fiscal Year 2008. As also indicated in the Financial Feasibility Report, Net Revenues are forecast to exceed 1.25 times Aggregate Adjusted Debt Service in the first three Airport Fiscal Years following the estimated date of completion of the last of the 2003-2004 Projects for (Fiscal Year 2006–Fiscal Year 2008), thereby satisfying the Additional Bonds Test.

In addition, based on the knowledge of Unison Maximus of comparable airports and its experience in preparing similar studies and providing financial consulting services to a variety of airports, Unison Maximus believes the forecasted airline costs per enplaned passenger at the Airport are reasonable.

As indicated earlier, for the purposes of the Financial Feasibility Report it is assumed that the rates and charges methodology of the existing Use Agreements will continue throughout the forecast period (FY 2003 through FY 2008). In the event the City chooses to set rates by ordinance after the expiration of the existing Use Agreements on December 31, 2005, Unison Maximus believes the existing rates and charges methodology is consistent with applicable Federal guidelines regarding airport rates and charges.[7] Accordingly, Unison Maximus concludes it is feasible for the City to proceed with the issuance of the 2002 Bonds.

Sensitivity-High - assumes that the negative demand following the September 11, 2001 Events is transitory, and demand would recover at a greater rate during the period FY 2003 through FY 2007, and return to normal growth levels beginning in FY 2008 and grow with an expansion of the economy.

[7] U. S. Department of Transportation, *Policy Regarding Airport Rates and Charges ("Final Policy")*, June 14, 1996.

Sensitivity-Low –assumes that American would initiate additional cuts in air carrier service at the Airport by 20% effective January 1, 2003. These cuts would be in addition to the-post September 11 service reductions included in the Base Case.

As indicated in the Financial Feasibility Report and on the summary table on page 49 herein, Revenues are forecast to be sufficient to pay Operation and Maintenance Expenses and meet all other funding requirements of the Indenture in each year of the forecast period, Fiscal Year 2003 through FY 2008, thus satisfying the requirements of the Additional Bonds Test.

The financial forecasts presented in the Financial Feasibility Report are based on information and assumptions that have been provided by Airport management, or developed by Unison Maximus and reviewed with and confirmed by Airport management. Based upon its review, Unison Maximus believes that the information is accurate and that the assumptions provide a reasonable basis for the forecasts. However, some variation from the forecasts is inevitable due to unforeseen events and circumstances, and these variations may be material. The Financial Feasibility Report should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

DEBT SERVICE COVERAGE/ADDITIONAL BONDS TEST

The following table (Table V-8 from the Financial Feasibility Report) shows the results of using the Base Case forecast on Net Revenues and the calculation of debt service coverage for the forecast period, FY 2003-FY 2008. Debt service coverage is projected to increase significantly in FY 2005 and FY 2006 as certain outstanding bonds are retired. In comparison, the tables on pages 47 and 48 (Tables V-8a and V-8b from the Financial Feasibility Report) show the results of using the two alternative sensitivities on Net Revenues and the calculation of debt service coverage for the same forecast period.

The test period for the Additional Bonds Test is the three-year period immediately following completion of the last project. The City currently anticipates the completion of the 2003-2004 Projects by the end of FY 2005. As indicated in Table V-8, given the assumptions set forth in the Financial Feasibility Report, Net Revenues are forecast to exceed 1.25 times Aggregate Adjusted Debt Service in the first three Airport Fiscal Years following the estimated date of completion resulting in a debt coverage range between 1.56 and 1.49, thereby satisfying the Additional Bonds Test period. In comparison, Tables V-8a and V-8b also show that under the each alternative sensitivity Net Revenues are forecast to exceed 1.25 Aggregate Adjusted Debt Service. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unexpected events and circumstances may occur. Therefore, the actual results achieved will likely vary from the forecasts, and the variations could be material.

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The following is a summary table (Table V-8) from the Financial Feasibility Report of the debt service coverage for the Base Case which also summarizes projections for test period for FY 2006-2008. Table V-9 compares the Base Case to the two alternate Sensitivity Cases (High and Low) addressed in the Financial Feasibility Report for FY 2006-2008.

Table V-8
CALCULATION OF ANNUAL DEBT SERVICE COVERAGE
BASE CASE
Lambert St. Louis International Airport
For Fiscal years Ending June 30
(in thousands)

	Forecast					
	2003	**2004**	**2005**	**2006**	**2007**	**2008**
ANNUAL DEBT SERVICE COVERAGE						
Total Revenues (a)	$156,363	$166,259	$167,950	$173,681	$206,551	$209,681
less: Operation and Maintenance Expenses (b)	71,612	77,058	80,366	85,369	93,921	96,793
Net Revenues	$84,751	$89,201	$87,584	$88,312	$112,629	$112,888
Debt Service (c)	62,927	64,154	46,391	56,616	75,676	75,960
Debt service coverage ratio	**1.35**	**1.39**	**1.89**	**1.56**	**1.49**	**1.49**
ADDITIONAL BONDS TEST						
Forecast debt service coverage				**1.56**	**1.49**	**1.49**
Required debt service coverage				**1.25**	**1.25**	**1.25**
				Forecast debt service coverage exceeds the 1.25 times requirement in each Fiscal Year.		

a. Table V-3

b. Table V-6

c. Table II-3

Table V-8a
CALCULATION OF ANNUAL DEBT SERVICE COVERAGE
SENSITIVITY HIGH
Lambert St. Louis International Airport
For Fiscal years Ending June 30
(in thousands)

	Forecast					
	2003	**2004**	**2005**	**2006**	**2007**	**2008**
ANNUAL DEBT SERVICE COVERAGE						
Total Revenues	$156,363	$167,340	$172,108	$181,086	$215,943	$219,661
less: Operation and Maintenance Expenses	71,612	77,058	80,366	85,369	93,921	96,793
Net Revenues	$84,751	$90,281	$91,742	$95,716	$122,022	$122,868
Debt Service	62,927	64,154	46,391	56,616	75,676	75,960
Debt service coverage ratio	**1.35**	**1.41**	**1.98**	**1.69**	**1.61**	**1.62**
ADDITIONAL BONDS TEST						
Forecast debt service coverage				**1.69**	**1.61**	**1.62**
Required debt service coverage				**1.25**	**1.25**	**1.25**
				Forecast debt service coverage exceeds the 1.25 times requirement in each Fiscal Year.		

Table V-8b
CALCULATION OF ANNUAL DEBT SERVICE COVERAGE
SENSITIVITY LOW
Lambert St. Louis International Airport
For Fiscal years Ending June 30
(in thousands)

	Forecast					
	2003	2004	2005	2006	2007	2008
ANNUAL DEBT SERVICE COVERAGE						
Total Revenues	$154,414	$161,545	$162,568	$168,033	$200,629	$203,387
less: Operation and Maintenance Expenses	71,612	77,058	80,366	85,369	93,921	96,793
Net Revenues	$82,803	$84,486	$82,202	$82,664	$106,708	$106,594
Debt Service	62,927	64,154	46,391	56,616	75,676	75,960
Debt service coverage ratio	**1.32**	**1.32**	**1.77**	**1.46**	**1.41**	**1.40**
ADDITIONAL BONDS TEST						
Forecast debt service coverage				**1.46**	**1.41**	**1.40**
Required debt service coverage				**1.25**	**1.25**	**1.25**
				Forecast debt service coverage exceeds the 1.25 times requirement in each Fiscal Year.		

Table V-9
SENSITIVITY ANALYSIS - SUMMARY TABLE
Lambert St. Louis International Airport
For Fiscal years Ending June 30
(in thousands)

	2006			2007			2008		
	Base Case	**Sensitivity High**	**Sensitivity Low**	**Base Case**	**Sensitivity High**	**Sensitivity Low**	**Base Case**	**Sensitivity High**	**Sensitivity Low**
Airline Revenues	$84,182	$84,487	$83,788	$110,406	$110,922	$109,840	$111,849	$112,363	$111,282
Enplaned Passengers	13,204	15,278	11,437	13,470	15,985	11,693	13,740	16,307	11,927
Airline Cost per Passenger	$6.38	$5.53	$7.33	$8.20	$6.94	$9.39	$8.14	$6.89	$9.33
Signatory Landing Fee Rate	$2.44	$2.12	$2.79	$3.55	$3.01	$4.06	$3.53	$3.00	$4.04
Net Revenues	$88,312	$95,716	$82,664	$112,629	$122,022	$106,708	$112,888	$122,868	$106,594
Debt Service	56,616	56,616	56,616	75,676	75,676	75,676	75,960	75,960	75,960
Debt Service Coverage	1.56	1.69	1.46	1.49	1.61	1.41	1.49	1.62	1.40

LITIGATION

There is no litigation pending in any court or, to the best knowledge of the City, threatened, that would restrain or enjoin the issuance or delivery of the 2002 Bonds, or that questions the validity of the 2002 Bonds or the Indenture or concerns any proceedings of the City taken in connection therewith, or the pledge or application of any Revenues provided for their payment, or that contests the power of the City with respect to the foregoing.

The City, together with over forty other airport operators throughout the United States, is a defendant in *United States ex rel. Pram Nguyen v. City of Cleveland, Ohio et al,* a lawsuit pending in the United States District Court for the Northern District of Ohio (Civil Action No. 1:00 CV 208). This lawsuit is a *qui tam* action under the False Claims Act, 31 U.S.C. 3729(a), against the named airport operators. The plaintiff alleges that each of the defendants has used aircraft deicing fluids in ways that violate various environmental laws. The plaintiff alleges that as a result each of the defendants has made "false claims" to the FAA about their compliance with environmental laws in order to obtain federal airport improvement grants and that each of the defendants has also made "reverse" false claims by concealing their environmental violations from the Environmental Protect Agency. The complaint does not specify any particular unlawful acts by any defendant, including the City, or specify the damages that are sought from any particular defendant. The City has joined together in a joint defense group with most of the other defendants. The court has issued an order staying all discovery pending rulings on motions to dismiss filed by the defendants. The City, along with the other defendants, intends to defend the case vigorously.

The Airport is subject to a variety of other suits and proceedings arising out of its ordinary course of operations, some of which may be adjudicated adversely. In the opinion of the City Counselor there is no litigation other than that set forth above pending against the City not sufficiently covered by insurance which, if determined adversely, would have a material adverse effect on Airport operations or revenues.

UNDERWRITING

Bear, Stearns & Co. Inc., the senior manager, together with A.G. Edwards & Sons, Inc., UBS PaineWebber Inc., Berean Capital, Inc. and Banc One Capital Markets, Inc. (collectively, the "2002A and 2002B Underwriters"), have agreed to purchase the 2002A Bonds from the City at an aggregate purchase price equal to $70,369,163.87 (which amount constitutes the aggregate principal amount of the 2002A Bonds plus net original issue premium on the 2002A Bonds of $1,709,801.40 less Underwriters' discount on the 2002A Bonds of $535,637.53), and have agreed to purchase the 2002B Bonds from the City at an aggregate purchase price equal to $31,426,640.08 (which amount constitutes the aggregate principal amount of the 2002B Bonds less net original issue discount on the 2002B Bonds of $82,566.90 less Underwriters' discount on the 2002B Bonds of $245,793.02).

Bear, Stearns & Co. Inc., the senior manager, together with Goldman, Sachs & Co., UBS PaineWebber Inc., Berean Capital, Inc. and Banc One Capital Markets, Inc. (collectively, the "2002C Underwriters"), have agreed to purchase the 2002C Bonds from the City at an aggregate purchase price equal to $17,848,872.99 (which amount constitutes the aggregate principal amount of the 2002C Bonds plus net original issue premium on the 2002C Bonds of $924,753.65 less Underwriters' discount on the 2002C Bonds of $110,880.66).

The bond purchase agreement between the 2002A and 2002B Underwriters and the City (the "2002A and 2002B Bond Purchase Agreement") provides that the 2002A and 2002B Underwriters will purchase all of the 2002A and 2002B Bonds, if any are purchased, and the obligation to make such purchase is subject to certain terms and conditions set forth in the 2002A and 2002B Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The bond purchase agreement between the 2002C Underwriters and the City (the "2002C Bond Purchase Agreement") provides that the 2002C Underwriters will purchase all of the 2002C Bonds, if any are purchased, and the obligation to make such purchase is subject to certain terms and conditions set forth in the 2002C Bond Purchase Agreement. Both Bond Purchase Agreements and the obligations thereunder are conditioned on all of the 2002 Bonds being issued and purchased in accordance with the terms of the Bond Purchase Agreements.

The initial public offering prices of the 2002 Bonds may be changed from time to time by the Underwriters.

INDEPENDENT PUBLIC ACCOUNTANTS

Included as **APPENDIX D** hereto are the audited financial statements of the Airport as of June 30, 2002, 2001 and 2000 and for the years then ended, together with the report thereon of KPMG LLP, independent public accountants. This Official Statement does not include audited financial information on the Airport after June 30, 2002. The financial statements included in **APPENDIX D** hereto are not necessarily indicative of the financial results of the Airport to be achieved in future periods.

FINANCIAL ADVISORS

Siebert Brandford Shank & Co., LLC and DJ Walker Advisors, LLC (the "Co-Financial Advisors"), are serving as financial advisors to the City with respect to the sale of the 2002 Bonds. The Co-Financial Advisors assisted in the preparation of this Official Statement, and in other matters relating to the planning, structuring and issuance of the 2002 Bonds and provided other advice. The Co-Financial Advisors have not independently verified the factual information contained in this Official Statement, but have relied upon information supplied by the City and other sources who have certified that such information contains no material misstatement or omission.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the 2002 Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2002 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the 2002 Bonds. The City has covenanted in the Indenture and the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986 (the "Tax Certificate") to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the 2002 Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the City has made certain representations and certifications in the Indenture and the Tax Certificate. Special Tax Counsel will not independently verify the accuracy of those certifications and representations.

In the opinion of Nixon Peabody LLP, Special Tax Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of the aforementioned representations and certifications of the City, interest on the 2002 Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code, except that no opinion is expressed as to the exclusion of interest on any 2002B Bond or any 2002C Bond from gross income for any period during which such 2002B Bond or 2002C Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with proceeds of the 2002B Bonds or the 2002C Bonds or a "related person". Special Tax Counsel is also of the opinion that interest on the 2002A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the 2002A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Special Tax Counsel is also of the opinion that interest on the 2002B Bonds and the 2002C Bonds is treated as a tax preference item for purposes of calculating the alternative minimum tax that may be imposed under the Code with respect to individuals and corporations.

State Taxes

Special Tax Counsel is also of the opinion that, under existing law and assuming that interest on the 2002 Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code, interest on the 2002 Bonds is excluded from Missouri taxable income for purposes of the personal income tax and corporate income tax imposed by the State of Missouri. Special Tax Counsel expresses no opinion regarding the applicability with respect to the 2002 Bonds or the interest on the 2002 Bonds of the taxes imposed by the State of Missouri on financial institutions under Chapter 148 of the Revised Statutes of Missouri, as amended.

Original Issue Premium

The 2002A Bonds maturing on July 1, 2006; July 1, 2007; July 1, 2008 (bearing interest at a rate of 5.00% per annum); July 1, 2009; July 1, 2010 and July 1, 2011 (each bearing interest at a rate of 5.25% per annum); July 1, 2012; July 1, 2014 through and including July 1, 2021, inclusive; and July 1, 2027; the 2002B Bonds maturing July 1, 2006; and July 1, 2008 through and including July 1, 2011, inclusive; and the 2002C Bonds (collectively, the "Premium Bonds") are being offered at prices in excess of their principal amounts. Special Tax Counsel is of the opinion that an initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such 2002 Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds

Certain Federal Tax Information

General. The following is a discussion of certain additional tax matters under existing statutes. It does not purport to deal with all aspects of Federal taxation that may be relevant to particular investors. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2002 Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Social Security and Railroad Retirement Payments. The Code provides that interest on tax-exempt obligations is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement benefits received are to be included in taxable income.

Branch Profits Tax. The Code provides that interest on tax-exempt obligations is included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States.

Borrowed Funds. The Code provides that interest paid (or deemed paid) on borrowed funds used during a tax year to purchase or carry tax-exempt obligations is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

Property and Casualty Insurance Companies. The Code contains provisions relating to property and casualty insurance companies whereunder the amount of certain loss deductions otherwise allowed is reduced (in certain cases below zero) by a specified percentage of, among other things, interest on tax-exempt obligations acquired after August 7, 1986.

Financial Institutions. The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than certain "qualified" obligations. The 2002 Bonds are not "qualified" obligations for this purpose.

S Corporations. The Code imposes a tax on excess net passive income of certain S corporations that have subchapter C earnings and profits. Interest on tax-exempt obligations must be included in passive investment income for purposes of this tax.

Earned Income Credit. For any taxable year beginning after December 31, 1995, the Code denies the earned income credit to persons otherwise eligible for it if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds $2,200, subject to adjustment for inflation for taxable years beginning after December 31, 1996. Interest on the 2002 Bonds will constitute disqualified income for this purpose.

Changes in Federal Tax Law and Post Issuance Events. From time to time proposals are introduced in Congress that, if enacted into law, could have an adverse impact on the potential benefits of the exclusion from gross income for Federal income tax purposes of the interest on the 2002 Bonds, and thus on the economic value of the 2002 Bonds. This could result from reductions in Federal income tax rates, changes in the structure of the Federal income tax rates, changes in the structure of the Federal income tax or its replacement with another type of tax, repeal of the exclusion of the interest on the 2002 Bonds from gross income for such purposes, or otherwise. It is not possible to predict whether any legislation having an adverse impact on the tax treatment of holders of the 2002 Bonds may be proposed or enacted.

Special Tax Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the 2002 Bonds may affect the tax status of interest on the 2002 Bonds. Special Tax Counsel expresses no opinion as to any Federal, State or local tax law consequences with respect to the 2002 Bonds, or the interest thereon, if any action is taken with respect to the 2002 Bonds or the proceeds thereof upon the advice or approval of other counsel.

LEGAL MATTERS

All legal matters incident to the authorization, issuance and sale of the 2002 Bonds are subject to the approval of Shaffer Lombardo Shurin, a professional corporation, St. Louis, Missouri, and Lewis & Munday, A Professional Corporation, Detroit, Michigan, Co-Bond Counsel, and certain other conditions.

Certain legal matters will be passed upon for the City by the office of the City Counselor, by Nixon Peabody LLP, New York, New York, Special Tax Counsel, and by Armstrong Teasdale LLP, St. Louis, Missouri, Special Counsel, and for the Underwriters by Bryan Cave LLP, St. Louis, Missouri and White Coleman & Associates, LLC, St. Louis, Missouri. The form of the Co-Bond Counsel opinion is set forth in Appendix F and the form of Special Tax Counsel opinion is set forth in Appendix G.

CERTAIN RELATIONSHIPS

Armstrong Teasdale, LLP, St. Louis, Missouri, Special Counsel, represents the City of St. Louis from time to time in various litigation and other matters, including certain matters relating to the Airport.

CONTINUING DISCLOSURE

A summary of the Continuing Disclosure Agreement (the "Disclosure Agreement") entered into by and between the City and the Trustee, as Dissemination Agent, is contained in ***APPENDIX H****. All references herein to the Disclosure Agreement are qualified in their entirety by reference to such document. The Disclosure Agreement is available for inspection at the offices of the City.*

The City and the Trustee have entered into a Continuing Disclosure Agreement dated as of December 1, 2002, pursuant to which the City has covenanted for the benefit of holders and beneficial owners of the 2002 Bonds to provide (i) audited financial statements of the Airport and certain statistical and operating data relating to the City and the Airport by not later than 210 days following the end of the City's Fiscal Year (which currently ends on June 30 each year) (the "Annual Report"), commencing with the report for the 2002 Fiscal Year, and (ii) notice of the occurrence of certain enumerated events, if material. The Annual Report will be filed by or on behalf of the City with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by or on behalf of the City with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriters in complying with the SEC Rule 15c2-12(b)(5) (the "Rule"). The City has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

If characterized as an "Obligated Person" under the Rule, certain information reporting requirements must be satisfied with respect to such entity. The City has determined that the City is an Obligated Person. The City has also determined that AMR Sub currently is the only other Obligated Person. AMR, the parent company of AMR Sub, is subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith, files reports and other information with the United States Securities and Exchange Commission (the "SEC Reports"), as more fully described under the caption **"FACTORS AFFECTING THE AIR CARRIER INDUSTRY"** herein. The City makes no representation with respect to, and assumes no responsibility for the accuracy or completeness of, any SEC Report filed by, or any information provided by AMR on behalf of AMR Sub or by any future Obligated Person. Unless no longer required by the Rule, the City has agreed in the Disclosure Agreement to use its reasonable efforts to cause each Obligated Person other than the City, if any (to the extent that such Obligated Person is not otherwise required to file SEC Reports), to provide to the City annual information substantially equivalent to that contained in the SEC Reports. In the event that any such Obligated Person fails to provide to the City annual information substantially equivalent to that contained in the SEC Reports, the City shall not be in default under the Disclosure Agreement. The City has also agreed in the Disclosure Agreement to use its reasonable efforts to include in any future amendments to the Use Agreements a provision requiring air carriers to provide information to the City to enable the City, if necessary, to comply with the Rule. In the event that the City does not obtain such provision in any future amendments to the Use Agreement, the City shall not be in default under the Disclosure Agreement.

In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an event of default under the Indenture or the 2002 Bonds, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

RATINGS

Moody's Investors Services, Inc. ("Moody's"), Standard & Poor's Ratings Services ("S&P"), a division of The McGraw-Hill Companies, Inc., and Fitch Ratings, Inc. ("Fitch") have assigned ratings of "Aaa," "AAA," and "AAA," respectively, to the 2002 Bonds, with the understanding that upon delivery of the 2002 Bonds, the Policy will be issued by the Bond Insurer. Moody's, S&P, and Fitch and have given the 2002 Bonds underlying ratings of "A3" (negative outlook), "A-," and "A-" (negative outlook) respectively. These ratings should be evaluated independently. No application has been made to any other rating agency in order to obtain additional ratings on the 2002 Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, Standard & Poor's Ratings Services, 25 Broadway, New York, New York 10004 and Fitch Ratings, Inc., One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2002 Bonds.

MISCELLANEOUS

This Official Statement has been duly approved, executed and delivered by the City.

The references herein to the Indenture and certain other agreements are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and for full and complete statements of the provisions thereof, reference is made to the Indenture and such other agreements. Copies of such documents are on file at the offices of the City and following the delivery of the 2002 Bonds will be on file at the office of the Trustee. All estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly stated, are intended as such and not as representations of fact.

The attached appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

THE CITY OF ST. LOUIS, MISSOURI

By: /s/ Francis G. Slay
Francis G. Slay, Mayor

By: /s/ Darlene Green
Darlene Green, Comptroller

APPENDIX A
THE PFC PROGRAM

Passenger Facility Charges. PFCs are fees authorized by the Aviation Safety and Capacity Expansion Act of 1990, as amended (the "PFC Act"), as implemented by the FAA pursuant to published regulations issued with respect to the PFC Act (the "PFC Regulations"). The PFC Act allows a public agency such as the Airport, which controls a commercial service airport to charge each paying passenger enplaning at the airport (subject to certain limited exceptions) a PFC of $1.00, $2.00, $3.00, $4.00 or $4.50. Pursuant to the PFC Act and to the City's current approvals from the FAA, the City may, with certain exceptions, charge each paying passenger who enplanes at the Airport a PFC of $4.50. The annual amount of PFCs payable to the City thus depends upon the number of passenger enplanements at the Airport. The PFC Act requires air carriers and their agents to collect the PFCs and to remit to the City once each month the proceeds of such collections, less a handling fee and less interest earned prior to such remittance.

The proceeds from PFCs are to be used to finance approved airport-related projects that preserve or enhance capacity, safety or security of the national air transportation system, reduce noise from an airport that is part of the system or provide an opportunity for enhanced competition between or among air carriers or foreign air carriers. These projects include airport development or planning, terminal development, airport noise compatibility measures and planning and construction of gates and related areas (other than restaurants, rental car facilities, automobile parking or other concessions) for the movement of passengers and baggage.

The FAA approval provides that bond documents, such as the Indenture, may define pledged airport revenues in a manner that would include PFC Revenues. However, the FAA approval also provides that the use of PFC Revenues is limited to the allowable costs of approved PFC projects ("PFC-Eligible" projects) and may not be used to pay debt service on any bonds issued to finance other than PFC-eligible projects. The use of PFC Revenues deposited in the PFC Escrow Account for any other project would require further FAA approval.

Collection of PFCs. PFCs are collected on behalf of airports by air carriers, foreign air carriers and their agents ("Collecting Carriers") from each eligible passenger enplaning at such airport. The Collecting Carriers are authorized to withhold, as a collection fee (i) eight cents per enplaning passenger from whom a PFC is collected and (ii) any investment income earned on the amount collected prior to the due date of the remittance. From time to time, the FAA considers permitting an increase in the amount the Collecting Carriers may retain as a collection fee, although to date no such increase has been granted. Any new PFC charge is effective on the first day of a month that is at least 60 days after the Collecting Carriers are notified.

Certain passengers are not subject to collection of a PFC by Collecting Carriers. PFCs may not be collected from a passenger enplaning at an airport if the passenger did not pay for the ticket (including tickets obtained with frequent flyer coupons). A PFC may be collected from a passenger (i) on a one-way trip only for the first two airports on the air travel itinerary where PFCs are imposed and (ii) on a roundtrip only for the first two and last two airports where PFCs are imposed. No PFC may be imposed on any passenger on any flight (i) to a point receiving essential air service compensation, (ii) to an airport receiving scheduled passenger service and having fewer than 2,500 passenger boardings each year, or (iii) to a community that has a population of less than 10,000 and is not connected by a land highway or vehicular way to the land-connected national highway system within a state.

The public agency may request exemption from the requirement to collect PFCs for a class of air carriers if the number of passengers enplaned by the air carriers in the class constitutes no more than 1% of the total enplaned passengers annually at the airport at which the PFC is imposed. An exemption from the requirement to collect PFCs for "on-demand air taxi commercial operators" (ATCO) was requested by the State on the basis that (i) the number of enplaned passengers within this class is well below the 1% of total annual enplaned passengers at the Airport and (ii) the minimal PFC revenues to be collected from the excluded class does not justify the administrative burden which would be imposed on the air carriers and the Airport in collecting and accounting for the revenues.

The duration of a public agency's authority to impose PFCs is governed by the regulations issued under the PFC Act (the "PFC Regulations"). The duration of authority to impose a PFC after project implementation extends until (i) the charge expiration date is reached, (ii) PFCs collected and interest thereon equals the allowable cost of the approved project, (iii) the FAA terminates the authority to collect PFCs if it determines that the PFCs are not being used for the approved project in accordance with the terms of the PFC Act, the PFC Regulations and the FAA approval (which approved project includes debt service or costs attributable to an approved project), or (iv) the FAA determines that the public agency is violating noise and access requirements under the Airport Noise and Capacity Act of 1990, as amended (the "Noise Act"). The PFC Regulations define "project implementation," with respect to construction, as the issuance to a contractor of a notice to proceed or the start of physical construction. Notices to proceed directing the contractors to begin work on certain segments of the 2002 Project have already been issued by the City.

A PFC approval may be amended by a public agency without consultation or approval by the FAA to decrease the level of PFCs collected, decrease the total PFC revenue, or increase the total approved PFC revenue by 15% or less, provided that the air carriers and the FAA are notified in writing. A PFC amendment that increases the dollar amount of the PFC, increases the total approved PFC revenue by more than 15%, materially alters the scope of the approved project, or changes or establishes a new class of air carrier for exemption, requires FAA notification showing consultation with and agreement or disagreement by the air carriers, justification for the amendment, and other information as required by the FAA. In this case, if no air carrier certifies its objections, the amendment may be instituted unless, within 30 days after notification, the FAA notifies otherwise. If an air carrier certifies its disagreement with the proposed amendment, the public agency must request approval from the FAA. Such request must, in addition to the written evidence required above, contain the reasons for air carrier objections, the reasons for requesting the amendment in light of the air carrier objections, and other information requested by the FAA. The FAA then has 120 days to approve or disapprove the amendment. If the request is for an increase in the PFC level above $3.00, the FAA must insure that additional requirements applicable to PFCs above the $3.00 level, including the requirement for applicable covered airports to file a competition plan, are met.

Possibility and Consequences of PFC Revenue Insufficiency. The ability of the City to collect annually sufficient PFC Revenues depends upon a number of factors including the operation of the Airport by the City, the number of enplanements at the Airport, the use of the Airport by Collecting Carriers, and the efficiency and ability of the Collecting Carriers to collect and remit PFCs to the City. The City relies upon the Collecting Carriers' collection and remittance of PFCs, and both the City and the FAA rely upon the air carriers' reports of enplanements and collections.

The City expects to pay the PFC-Eligible portion of debt service on its Airport Revenue Bonds, Series 2001A (Airport Development Program) (the "2001A ADP Bonds") from PFC Revenues. However, if the number of enplaned passengers at the Airport is significantly less than the number forecast by the City and the Airport Consultant in projecting annual PFC Revenues, if the eight cents collection fees retained by the Collecting Carriers are increased, if the PFC Act is amended, or if the Airport's authority to impose PFCs was terminated, the amount of PFC Revenues collected by the City each year may be less than the amount projected and may be less than the amount required to enable the City to pay the principal of and interest on the PFC-Eligible portion of the 2001A ADP Bonds. In such event, the City would be obligated to use available GARB Revenues to fund the deficiency and, after the

Determination Date would be required to include in air carrier rates and charges costs for completed PFC-Eligible projects, to the extent necessary to fund the deficiency. If the number of annual enplanements at the Airport is higher than initially projected or if the rate of PFCs assessed by the City is increased above \$4.50, the City will collect PFC Revenues faster than initially forecast. Although the FAA estimates that based upon the City's current PFC authority, the City's authority to collect the PFCs will expire in 2017, prior to the final maturity of the 2001A ADP Bonds, the City expects that it will obtain new PFC approvals before its current authority expires. No assurance can be given that the City will be able to do so.

Amendment to the PFC Act. There is no assurance that the PFC Act will not be repealed or amended or that the PFC Regulations or the City's approvals from the FAA will not be amended in a manner that would adversely affect the City's ability to collect and use PFC Revenues in amounts sufficient to make timely payments of principal and interest on the Bonds, including the 2002 Bonds. In such event, the City may have less PFC Revenues available to pay debt service on the 2002 Bonds than projected.

Termination of Authority to Impose and Use PFCs. The FAA may terminate the City's authority to impose PFCs, subject to informal and formal procedural safeguards, if the FAA determines that (i) the City is in violation of certain provisions of the Noise Act (as defined herein) relating to airport noise and access restrictions, (ii) PFCs and investment income thereon are not being used for Approved PFC funding in accordance with the FAA's approvals or with the PFC Act and the PFC Regulations, (iii) implementation of projects financed with PFCs does not commence within the time periods specified in the PFC Act and the PFC Regulations or (iv) the City is otherwise in violation of the PFC Act, the PFC Regulations or the PFC Approvals.

Informal Resolution Process for PFC Act Violations. Pursuant to the provisions of the PFC Act, the PFC Regulations provide for an informal process for resolution of possible violations of the PFC Act, PFC Regulations or PFC Approvals. A public agency may also request that the FAA agree in the PFC approval to a specific, informal resolution process that the FAA will follow if it suspects the public agency has committed such a violation.

Formal Termination Process for PFC Act Violations. Pursuant to the PFC Regulations, formal termination proceedings are authorized only if the FAA determines that efforts to achieve an informal resolution are not successful. The formal termination process prescribed in the PFC Regulations is to be initiated upon the FAA's filing of a notice, followed by a 60-day period during which the City may submit further comments and take corrective action. The PFC Regulations provide that if corrective action is not taken as prescribed in the notice, the FAA is required to hold a public hearing at least 30 days after notifying the City and publishing a notice of the hearing in the Federal Register. After the public hearing, the City would have 10 days after receiving notice of the FAA's decision to advise the FAA in writing that it will complete any corrective action prescribed in the FAA's decision within 30 days or to provide the FAA with a list of Collecting Carriers, after which the FAA would notify the Collecting Carriers to terminate or to modify the PFC accordingly. The formal termination process would last at least 100 days.

Noise Act Violations. The City's authority to impose PFCs may be terminated if the City violates the provisions of the Noise Act. Although the procedures described above do not apply to alleged violations of the Noise Act, the Noise Act and FAA regulations thereunder provide procedural safeguards to ensure that the City's authority to impose PFCs at the Airport will not be summarily terminated because of violations of the Noise Act. In general, the City can prevent termination of its PFC Authority by suspending the effectiveness of any noise or access restriction in question, until the legal sufficiency of the restriction, and its impact on the City's authority to impose PFCs at the Airport, has been determined. The 2000 Approvals, as defined below, include findings by the FAA that the City has not been found to be in violation of the Noise Act and that the FAA is not aware of any proposal at the Airport that would be found to be in violation of the Noise Act.

Treatment of PFCs in Air Carrier Bankruptcies. The PFC Act was amended in 1996 to provide that PFCs that are held by a Collecting Carrier constitute a trust fund that is held for the beneficial interest of the eligible agency imposing the PFCs and that the Collecting Carrier holds neither legal nor equitable interest in the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, PFC Regulations require Collecting Carriers to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in financial statements. The Collecting Carriers, however, are permitted to commingle PFC collections with their other sources of revenue and are also entitled to retain interest earned on PFC collections until such PFCs must be remitted. Despite the language in the PFC Act, at least one bankruptcy court in an unpublished opinion has indicated that PFC revenues held by an air carrier in bankruptcy would not be treated as a trust fund and would instead be subject to the general claims of such air carrier's unsecured creditors. In an unpublished opinion rendered in the TWA bankruptcy, the Court entered a stipulated order on March 12, 2001 establishing a $7.5 million PFC trust fund for the benefit of various airports to whom TWA was not current on PFC payments. At the time TWA filed its petition for reorganization, the Airport was owed approximately $2 million in PFCs for the month of November 2000, which were payable by December 31, 2000. Pursuant to Court authorization, the Airport was paid all PFC amounts then due it on January 17, 2001. Thereafter, during the bankruptcy proceedings, TWA paid all PFC amounts due the Airport. There is no assurance as to which approach other bankruptcy courts will use in the future.

The PFC Program at the City

City PFC Approvals. The Airport has obtained the approval--under five PFC applications (PFC #1, PFC #2, PFC #3, PFC #4 and PFC #5)--to impose and use PFCs (on both a pay-as-you-go and leveraged basis) for a variety of projects including the ongoing Part 150 Program, the new East Terminal, a number of smaller airfield and terminal projects and Phase 1 of the ADP. The FY 2002 – FY 2006 CIP identifies the use of approximately $25 million of PFC revenues for various improvements for the airfield and terminal. A portion of the PFC projects totaling $9.5 million is currently authorized under the Airport's fifth approved PFC application (PFC 5). However, the remaining $15.5 million are new PFC projects that were identified after the completion of the PFC 5 application. Airport Management has scheduled an Airline PFC Consultation meeting in December 2002 to initiate amendments to earlier PFC applications, and to discuss a new PFC application to obtain approval for the new PFC projects, which are part of the FY 2002-FY 2006 CIP. The Airport is expecting a favorable response regarding the planned use for these new PFC projects.

As of November 30, 2002, the FAA had authorized the City to collect up to $1.3 billion in PFCs, of which approximately $306 million has been expended. See **APPENDIX C - "FINANCIAL FEASIBILITY REPORT"** hereto for more information on the City's PFC authority.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIR CARRIER USE AGREEMENTS AND OTHER LEASES

THE INDENTURE

The following is a summary of certain provisions of the Indenture of Trust dated as of October 15, 1984 (the "Original Indenture of Trust"), the First Supplemental Indenture of Trust, dated as of July 1, 1987 (the "First Supplemental Indenture"), the Second Supplemental Indenture of Trust, dated as of November 15, 1992 (the "Second Supplemental Indenture"), the Third Supplemental Indenture of Trust, dated as of August 1, 1993 (the "Third Supplemental Indenture"), the Fourth Supplemental Indenture of Trust, dated as of November 1, 1993 (the "Fourth Supplemental Indenture"), the Fifth Supplemental Indenture of Trust, dated as of April 1, 1996 (the "Fifth Supplemental Indenture"), the Sixth Supplemental Indenture of Trust, dated as of August 1, 1997 (the "Sixth Supplemental Indenture"; the Original Indenture of Trust, as amended and supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture and the Sixth Supplemental Indenture is referred to herein as the "Original Indenture"), the Amended and Restated Indenture of Trust, dated as of October 15, 1984 and amended and restated as of September 10, 1997 (the "Restated Indenture"), the Seventh Supplemental Indenture of Trust, dated as of December 1, 1998 (the "Seventh Supplemental Indenture"), the Eighth Supplemental Indenture of Trust, dated as of May 1, 2001 (the "Eighth Supplemental Indenture") and the Ninth Supplemental Indenture of Trust, dated as of December 1, 2002 (the "Ninth Supplemental Indenture"; the Restated Indenture, as amended and supplemented by the Seventh Supplemental Indenture, the Eighth Supplemental Indenture and the Ninth Supplemental Indenture, is referred to as the "Indenture"). This summary does not purport to set forth all of the provisions of the Indenture and reference is made to the Indenture for its complete and actual terms.

Definitions

The following terms have the following meanings in the Indenture, unless a different meaning clearly appears from the context:

"Accountant's Certificate" means a certificate signed by an independent certified public accountant or a firm of certified public accountants selected by the City satisfactory to the Trustee, who may be the accountant or firm of accountants who regularly audit the books of the City.

"Accrued Aggregate Debt Service" means, as of any date of calculation, an amount equal to the sum of (i) interest on the Bonds of all Series accrued and unpaid and to accrue to the end of the then current calendar month, and (ii) Principal Installments due and unpaid and that portion of the Principal Installments for all Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month.

"Additional Bonds" means Bonds authenticated and delivered pursuant to the Indenture, and thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

"Additional Project" means the extension, improvement, purchase, acquisition, construction and enlargement of facilities, appurtenances and equipment for the Airport to be financed, in whole or in part, from the proceeds of any Additional Bonds issued pursuant to the provisions of the Indenture.

"Adjusted Debt Service" means Debt Service, except that for any Series of Partially Amortizing Bonds it will mean Debt Service for each Fiscal Year other than the Fiscal Year in which the final maturity date of such Bonds occurs and with respect to such Fiscal Year and each Fiscal Year thereafter through the Fiscal Year ending on the date which is the anniversary of the final maturity date of such Series next occurring before the date which is 25.5 years after their issuance, that amount which if paid in substantially equal installments in each such Fiscal Year would pay the full amount of principal of such Bonds and the interest thereon (at the Index Interest Rate) by such anniversary.

"Aggregate Adjusted Debt Service" means, as of any particular date of computation and with respect to any period, the sum of the amounts of Adjusted Debt Service for such period with respect to all Series of Bonds.

"Aggregate Debt Service" means, as of any particular date of computation and with respect to any period, the sum of the amounts of Debt Service for such period with respect to all Series of Bonds.

"Airport" means the Lambert-St. Louis International Airport owned and operated by the City, including all land owned or to be acquired by the City (by lease or otherwise) for purposes of such airport (including, without limitation, noise mitigation and clear zone purposes) and all improvements and facilities in existence and located on any such land, as said Airport may be added to, extended, improved or constructed and equipped.

"Airport Commission" means the existing Airport Commission of the City, or such officer, board or commission of the City who or which may be legally given the powers and duties given to the Airport Commission in existence on the date of the Restated Indenture.

"Airport Consultant" means the airport consultant or airport consulting firm or corporation at times retained by the City pursuant to the Indenture to perform the acts and carry out the duties provided for such Airport Consultant in the Indenture.

"Airport Fiscal Year" means the twelve-month period beginning on July 1 of one year and ending on June 30 of the following year, or such other fiscal year of twelve months as may be selected by the City.

"Annual Budget" means the annual budget of the City (through the Airport Commission) for the Airport, as amended or supplemented from time to time, adopted or in effect for a particular City Fiscal Year as provided in the Indenture.

"Arbitrage Rebate Fund" means the Fund established by the Indenture.

"Authorized Officer of the City" means the Mayor, Comptroller or Treasurer of the City, or any other officer or employee of the City authorized under the laws of the State of Missouri, the Charter or ordinance of the City to perform specific acts or duties related to the subject matter of the authorization.

"Beneficial Owner" means, for any Bond which is held by a nominee, the beneficial owner of such Bond.

"Bond" or "Bonds" means the 2002A Bonds, the 2002B Bonds, the 2002C Bonds and any other bond or bonds, as the case may be, authenticated and delivered under and pursuant to the Indenture.

"Bond Counsel" means Shaffer Lombardo Shurin, a professional corporation and Lewis & Munday, a Professional Corporation or any other attorney or firm of attorneys nationally recognized on the subject of municipal bonds selected by the City and acceptable to the Trustee.

"Bond Fund" means the Airport Bond Fund established by the Indenture.

"Bondholder", "Holder of Bonds" or "Owner of Bonds" or any similar term means any person who will be registered owner of any Bond or Bonds.

"Bond Insurance Policy" means the municipal bond insurance policy issued by the Bond Insurer that guarantees payment of principal of, and interest on the applicable series of Bonds and with respect to the 2002 Bonds means the 2002 Bond Insurance Policy.

"Bond Insurer" means each insurance company which has insured the payment of the principal and interest on all or any portion of the Bonds and any successor thereto.

"Bond Proceeds" means all amounts received on the sale of a Series of Bonds.

"Bond Registrar" means the Trustee and any other bank or trust company organized under the laws of any state or national banking association appointed by the City to perform the duties of Bond Registrar enumerated in the Indenture. The term "Bond Registrar" will also be deemed to include any Co-Registrar appointed pursuant to the Indenture.

"Business Day" means any day of the year other than (a) a Saturday or Sunday or (b) any day on which banks located in New York, New York, St. Louis, Missouri or Kansas City, Missouri are required or authorized by law to remain closed.

"Capital Budget" means the capital budget of the City (through the Airport Commission) for the Airport, as amended or supplemented from time to time, adopted or in effect for a particular City Fiscal Year as provided in the Indenture.

"Charter" means the Charter of the City as in effect from time to time.

"City Fiscal Year" means the twelve-month period beginning on July 1 of one year and ending on June 30 of the following year, or such other fiscal year of twelve months as may be selected by the City.

"City-Held PFC Revenues" means, collectively, PFC Revenues on deposit in the Revenue Fund and PFC Revenues held by the City in the PFC Account and available to pay debt service.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Construction Fund" means the Airport Construction Fund established by the Indenture.

"Consulting Engineers" means the engineer or engineering firm or corporation at the time retained by the City pursuant to the Indenture to perform the acts and carry out the duties provided for such Consulting Engineers in the Indenture.

"Contingency Fund" means the Airport Contingency Fund established by the Indenture.

"Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement executed and delivered by the City and the Dissemination Agent with respect to the 2002 Bonds.

"Cost of Construction", with respect to the initial Project or an Additional Project, means the City's costs properly attributable to the construction or acquisition thereof. "Cost of Construction" will also include the Costs of Issuance of any Series of Bonds to the extent payable from the Construction Fund pursuant to the Indenture or a Supplemental Indenture.

"Cost of Issuance Account" means the Cost of Issuance Account established with respect to each Series in accordance with the Indenture.

"Costs of Issuance" means all items of expense, directly or indirectly payable or reimbursable by or to the City and related to authorization, sale and issuance of any Bonds including, but not limited to, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums for the insurance of the payment of Bonds, fees payable in connection with any letter of credit securing all or a portion of the Bonds, financing charges, accrued interest with respect to the initial investment of proceeds of Bonds and any other costs, charge or fee in connection with the original issuance of Bonds.

"Counsel's Opinion" means an opinion of an attorney or firm of attorneys nationally recognized on the subject of tax-exempt municipal financings (who may be counsel to the City) selected by the City and satisfactory to the Trustee.

"Counterparty" means an entity whose senior long-term debt obligations, or whose obligations under an Interest Rate Exchange Agreement, are guaranteed by a financial institution whose senior long term debt obligations have a rating in one of the three highest categories of each of the Rating Agencies.

"Debt Service" for any period means, as of any date of calculation and with respect to any Series of Bonds, an amount equal to the sum of (i) interest accruing during such period on Bonds of such Series, except to the extent that such interest on the Bonds of such Series is to be paid from deposits (including investment income thereon) in the Debt Service Account made from Bond proceeds or other amounts available therein, and (ii) that portion of each Principal Installment for such Series of Bonds which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, if there will be no such preceding Principal Installment due date, from the date of issuance of such Series). Such interest and Principal Installments for such Series of Bonds shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof. For the purposes of any projections required by the Indenture with respect to Variable Rate Bonds, interest will be calculated on the basis of the average interest rate or rates borne on Variable Rate Bonds Outstanding during any consecutive twelve months of the preceding 24 months, except that (i) for the purpose of satisfying the conditions for the issuance of Additional Bonds, if the Variable Rate Bonds are being issued on the date of computation, the rate of interest will be assumed to be 110% of the initial interest rate of such Bonds, and (ii) for the purpose of satisfying the Debt Service Reserve Requirement, if any, the interest rate for any Variable Rate Bonds will be computed at the average interest rate on such Bonds during the preceding Airport Fiscal Year or if not Outstanding during the preceding Airport Fiscal Year, the initial interest rate of such Bonds; provided, however, that no payments required for any Option Bonds, other Bonds or Interest Rate Exchange Agreements which may be tendered or otherwise presented for payment at the option or demand of the owners thereof, or which may otherwise become due by reason of any other circumstance which will not, with certainty, occur during such period, will be included in any computation of Debt Service prior to the stated or theretofore extended maturity or otherwise certain due dates thereof, and all such payments will be deemed to be required on such stated or theretofore extended maturity dates or otherwise certain due dates; and provided, further, however, if the City in a Supplemental Indenture for a Series of Bonds elects to enter into an Interest Rate Exchange Agreement and deem any payments received thereunder as Revenues, Debt Service will include any amounts payable by the City during such interest rate period pursuant to such Interest Rate Exchange Agreement (other than termination payments thereunder).

"Debt Service Account" means the Airport Debt Service Account established within the Bond Fund.

"Determination Date" means the later of (i) the City's receipt of a certificate from the Airport Consultant certifying that the 2001A ADP Project has been completed or (ii) the expiration of the Use Agreements (i.e., December 31, 2005); provided, however, that prior to December 31, 2005, the Determination Date shall mean December 31, 2005.

"Debt Service Reserve Requirement" means, as of any date of calculation for the then Outstanding Bonds, unless otherwise specified in a Supplemental Indenture for a particular Series of Bonds, an amount which will equal the lesser of: (i) 10% of the proceeds of such Series of Bonds, (ii) 125% of the average annual debt service on such Series of Bonds or (iii) the maximum annual debt service on such Series of Bonds. Such amount for any Series of Bonds may be satisfied by a deposit of cash or a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution which provides for payment of all or a portion of the Principal Installments and/or interest due on any Series of Bonds or provides funds for the purchase of such Bonds or portions thereof, which will be rated in one of the three highest rating categories by the Rating Agencies and will permit the full amount thereof to be drawn down at least thirty days prior to the expiration thereof. A Supplemental Indenture for a Series of Bonds may specify that the Debt Service Reserve Requirement may be satisfied either at the closing of such Series of Bonds or by depositing such requirement over time from Revenues monthly in substantially equal amounts which time period will not exceed sixty months from the closing date for such Series, alternatively, a Supplemental Indenture for a Series of Bonds may specify that such Series of Bonds will not have a Debt Service Reserve Requirement, in which event such Series of Bonds will not be entitled to a lien on such account.

"Debt Service Reserve Account" means the Debt Service Reserve Account established within the Bond Fund.

"Development Fund" means the Airport Development Fund established by the Indenture.

"Director of Airports" means the now existing Director of Airports of the City, or such officer of the City who hereafter may be legally given the powers and duties given to the Director of Airports on the date of the Indenture.

"DTC" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the New York Banking Law, as amended, a "banking organization" within the meaning of the New York Banking Law, as amended, a member of the Federal Reserve System, a "clearing corporation," within the meaning of the New York Commercial Code, as amended, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities and Exchange Act of 1934, as amended, and its successors and assigns.

"Event of Default" will have the meaning given to such term in the Indenture.

"FAA" means the Federal Aviation Administration, or the successor to its powers and authority.

"Fiduciary" means the Trustee, the Co-Registrar, and any Paying Agent, or any or all of them as may be appropriate.

"Fitch" means Fitch Ratings, Inc.

"Future O&D PFC Revenues" means that portion of PFC Revenues to be derived from the PFCs payable by passengers whose air travel originates at the Airport or whose destination is the Airport, as estimated by the Airport Consultant.

"Future PFC Revenues" means an amount of PFCs that equals the amount of PFCs authorized to be imposed by the City at the Airport, less the amount of PFCs that have been received by the City.

"GARB Revenues" means all revenues collected by the City relating to, from or with respect to its possession, management, supervision, operation and control of the Airport, including all rates, charges, landing fees, rentals, use charges, concession revenues, revenues from the sale of services, supplies or other commodities, any investment income realized from the investment of amounts in the Revenue Fund, and any other amounts deposited into the Revenue Fund. GARB Revenues does not include: (a) any revenue or income from any Special Facilities, except ground rentals therefor or any payments made to the City in lieu of such ground rentals and the revenue or income from Special Facilities which are not pledged to the payment of Special Facilities Indebtedness, (b) any moneys received as grants, appropriations or gifts from the United States of America, the State of Missouri or other sources, the use of which is limited by the grantor or donor to the planning or the construction of capital improvements, including land acquisition, for the Airport, except to the extent any such moneys will be received as payment for the use of the Airport, (c) any Bond proceeds and other money (including investment earnings) credited to the Construction Fund for the financing of capital improvements to the Airport, (d) any interest earnings or other gain from investment of moneys or securities in any escrow or similar account pledged to the payment of any obligations therein specified in connection with the issuance of Refunding Bonds or the defeasance of any Series of Bonds in accordance with the Indenture, (e) any consideration received by the City upon transfer of the Airport pursuant to the Indenture, (f) interest income on, and any profit realized from, the investment of moneys in (i) the Construction Fund or any other construction fund funded from proceeds of Bonds or (ii) the Debt Service Account or the Debt Service Reserve Account if and to the extent there is any deficiency therein; (g) any passenger facility charge or similar charge levied by or on behalf of the Airport against passengers or cargo, including any income or earnings thereon, unless and to the extent all or a portion thereof are designated as GARB Revenues by the City in a Supplemental Indenture; (h) insurance proceeds which are not deemed to be GARB Revenues in accordance with generally accepted accounting principles (other than proceeds that provide for lost revenue to the Airport for business interruption or business loss); (i) the proceeds of any condemnation or eminent domain award; (j) the proceeds of any sale of land, buildings or equipment; (k) any money received by or for the account of the Airport from the levy of taxes upon any property in the City; and (1) amounts payable to the City under an Interest Rate Exchange Agreement unless and to the extent designated as GARB Revenues by the City in a Supplemental Indenture.

"Government Securities" means any securities described in clauses (i) and (vii) of the definition of "Investment Securities".

"Indenture" means the Original Indenture, as amended and supplemented by the Prior Supplemental Indentures, as amended and restated by the Restated Indenture, as amended and supplemented by the Seventh Supplemental Indenture, the Eighth Supplemental Indenture and the Ninth Supplemental Indenture.

"Index Interest Rate" means the per annum interest rate set forth in the most recently issued 25-Revenue Bond Index published by The Bond Buyer or, in the event such Index is no longer published, in such comparable index selected by the Trustee.

"Insurance Consultant" means an insurance consultant or other expert (and may include the Airport Consultant) having expert knowledge and skill with respect to the scope and amounts of insurance coverages appropriate for airport facilities similar to the Airport.

"Interest Payment Date" means January 1 and July 1 of each year beginning July 1, 2003.

"Interest Rate Exchange Agreement" means any financial arrangement (i) that is entered into by the City with an entity that is a Counterparty; (ii) which provides that the City will pay to such Counterparty an amount based either on the principal amount or the notional amount equal to the principal amount of all or a portion of a Series of Bonds, and that such Counterparty will pay to the City an amount based on the principal amount of such Series of Bonds, in each case computed in accordance with a formula set forth in such Interest Rate Exchange Agreement, or that one will pay to the other any net amount due under such arrangement; or (iii) the City will be paid by the Counterparty an amount, based either on the principal amount or a notional amount equal to the principal amount of all or any portion of the Variable Rate Bonds of such Series, if the interest rate on such Series of Variable Rate Bonds exceeds a previously agreed upon rate, and/or the City will pay to the Counterparty an amount, based on a notional amount equal to the principal amount of all or any portion of the Variable Rate Bonds of such Series, if the interest rate on such Series of Variable Rate Bonds is less than a previously agreed upon rate; (iv) which has been designated in writing to the Trustee by an Authorized City Representative as an Interest Rate Exchange Agreement with respect to a Series of Bonds and (v) which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on Bonds from gross income for the purposes of federal income taxation.

"Investment Securities" means, unless otherwise specified in a Supplemental Indenture, and includes any of the following obligations, to the extent the same are at the time legal for investment of funds of the City, including the amendments thereto, or under other applicable law: (i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or the full and timely payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations of any Federal agency to the extent the full and timely payment of the principal of and interest on such obligations are unconditionally guaranteed by the United States of America; (ii) senior debt obligations and mortgage-backed securities issued by Federal Land Banks, Export-Import Bank of the United States, Federal Financing Bank, FNMA (excluding stripped mortgage securities which are purchased at prices exceeding their principal amount), FHLMC (excluding stripped mortgage securities which are purchased at prices exceeding their principal amount), Farmers Home Administration, Federal Housing Administration, Private Export Funding Corporation, Federal Farm Credit System and senior debt obligations and letter of credit-backed issues issued by the Student Loan Marketing Association; (iii) time deposits, certificates of deposit or any other deposit with a bank, trust company, national banking association, savings bank, federal mutual savings bank, savings and loan association, federal savings and loan association or any other institution chartered or licensed by any state or the U.S. Comptroller of the Currency to accept deposits in such state ("deposits" meaning obligations evidencing deposit liability which rank at least on a parity with the claims of general creditors in liquidation), which are (a) fully secured by direct obligations of the United States having a market value (exclusive of accrued interest) which will meet the over-collateralization levels and meet the criteria required by each Rating Agency to maintain the rating on the Bonds or (b) secured to the extent, if any, required by each Rating Agency and made with an institution whose debt securities are rated at least equal to the then current rating on the Bonds (or equivalent rating of short-term obligations if the investment is for a period not exceeding one year) by each Rating Agency; (iv) repurchase agreements backed by or related to obligations described in (i) or (ii) above with any institution which will not adversely affect the then current rating on the Bonds by each Rating Agency; (v) investment agreements, secured or unsecured as required by each Rating Agency, with any institution which will not adversely affect the then current rating on the Bonds by each Rating Agency; (vi) if rated at a level which will not adversely affect the then current rating on the Bonds by each Rating Agency, direct and general obligations of or obligations guaranteed by any state or possession of the United States or the District of Columbia, to the payment of the principal of and interest on which the full faith and credit of such state, possession or District of Columbia is pledged; (vii) pre-refunded municipal obligations rated in the highest rating category by each Rating Agency and meeting the following conditions (a) such obligations are: (A) not subject to redemption prior to maturity or the Trustee has been given irrevocable instructions concerning their calling and redemption, and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions; (b) such obligations are secured by Investment Securities described in clause (i) above, that may be applied only to interest, principal and premium payments of such obligations; and (c) the principal of and interest on such Investment Securities described in clause (i) above, (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations; (viii) interest-bearing notes issued by a bank having combined capital and surplus of at least $500,000,000 whose senior debt is rated in the highest rating category of the Rating Agency; (ix) tax-exempt revenue bond obligations of a state, municipality or governmental unit rated at least "AA" by each Rating Agency; (x) money market funds registered under the Investment Company Act of 1940, as amended (the "1940 Act") or shares of a diversified open-end management investment company, as defined in the 1940 Act, whose shares are registered under the Securities Act of 1933, as amended, which invests only in securities of the type described in clause (i) or (ii) above and having the highest possible rating from each Rating Agency; (xi) Eurodollar time deposits issued by a bank with a deposit rating in one of the two highest short-term deposit rating categories by each Rating Agency; (xii) long-term or medium-term corporate debt guaranteed by any corporation that is rated in one of the three highest rating categories by each Rating Agency; (xiii) short-term corporate debt including commercial paper which is rated in the highest short-term rating category by each Rating Agency, and (xiv) public housing bonds issued by public agencies which are either: (a) fully guaranteed by the United States of America; or (b) temporary notes, preliminary loan notes or project notes secured by a requisition or payment agreement with the United States of America; or (c) state or public agency or municipality obligations rated in the highest credit rating category by each Rating Agency; provided that it is expressly understood that the definition of Investment Securities will be, and be deemed to be, expanded, or new definitions and related provisions will be added to the Indenture, thus permitting investments with different characteristics from those permitted which the City deems from time to time to be in the interest of the City to include as Investment Securities, if at the time of inclusion such inclusion will not, in and of itself, adversely affect the then current rating on the Bonds. Investment Securities must be limited to those instruments that have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, and if the obligation is rated, it should not have an 'r' highlighter affixed to its rating.

Provided, however, that as long as Financial Guaranty Insurance Company insures the Bonds, "Investment Securities" means: (i) direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee ("Direct Obligations"); (ii) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FNMAs"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMAs"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; Resolution Funding Corporation securities; (iii) direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's Investors Service and "A" or better by Standard & Poor's Corporation, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's Investors Service and "A" or better by Standard & Poor's Corporation; (iv) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's Investors Service and "A-l" or better by Standard & Poor's Corporation; (v) Federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-l" by Moody's Investors Service and a "Short-Term CD" rating of "A-l" or better by Standard & Poor's Corporation; (vi) deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than $3 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation; (vii) investments in money-market funds rated "AAAm" or "AAAm-G" by Standard & Poor's Corporation; (viii) repurchase agreements collateralized by Direct Obligations, GNMAs, FNMAs or FHLMCs with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "P-1" or "A3" or better by Moody's Investors Service, and "A-1 " or "A-" or better by Standard & Poor's Corporation, provided: (a) a master repurchase agreement or specific written repurchase agreement governs the transaction; and (b) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (A) a Federal Reserve Bank, (B) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million or (C) a bank approved in writing for such purpose by Financial Guaranty Insurance Company, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; (c) a perfected first security interest under the Uniform Commercial Code or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee; (d) the repurchase agreement has a term of 180 days or less, and the Trustee or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and (e) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%; (ix) investment agreements, the issuer, form and substance of which are specifically approved by the Bond Insurer; (x) pre-refunded municipal obligations rated in the highest rating category by each Rating Agency and meeting the following conditions (a) such obligations are: (A) not subject to redemption prior to maturity or the Trustee has been given irrevocable instructions concerning their calling and redemption, and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions; (b) such obligations are secured by Investment Securities described in clause (i) above, that may be applied only to interest, principal and premium payments of such obligations; and (c) the principal of and interest on such Investment Securities described in clause (i) above (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations; and (xi) tax-exempt revenue bond obligations of a state, municipality or governmental unit rated at least "AA" by each Rating Agency.

"Moody's" means Moody's Investors Service, Inc.

"Net Revenues" means the Revenues less Operation and Maintenance Expenses.

"Operation and Maintenance Expenses" means the City's expenses for operation, maintenance, repairs, ordinary replacement and ordinary reconstruction of the Airport, including a reasonable reserve for uncollectible Revenues, and will include, without limitation, administrative and overhead expenses, insurance premiums, deposits for self-insurance, legal, engineering, consulting, accounting or other professional service expenses, union contributions, payments to pension, retirement, group life insurance, health and hospitalization funds, or other employee benefit funds, costs of rentals of equipment or other personal property, costs of rentals of real property, costs incurred in collecting and attempting to collect any sums due the City in connection with the operation of the Airport, and any other expenses required to be paid by the City under the provisions of the Indenture or by laws or consistent with standard practices for airports similar to the properties and business of the Airport and applicable in the circumstances, including, without limitation, an allocable share of administrative personnel costs incurred by the City at locations other than the Airport in connection with the operations of the Airport, and the expenses, liabilities and compensation of the fiduciaries required to be paid under the Indenture, all to the extent properly attributable to the Airport. "Operation and Maintenance Expenses" will not include any capital development cost or any allowance for depreciation or any operation or maintenance costs for Special Facilities where the lessee is obligated under its Special Facilities lease to pay such expenses.

"Operation and Maintenance Fund" means the Airport Operation and Maintenance Fund established by the Indenture.

"Option Bond" means any Bond which by its terms may be tendered for payment by and at the option of the owners thereof prior to the stated maturity thereof, or the maturities of which may be extended at the option of the owners thereof.

"Original Indenture" means the Indenture of Trust dated as of October 15, 1984, between the City and Mercantile Trust Company, National Association, predecessor in interest to the Trustee.

"Outstanding" or "outstanding", when used with reference to Bonds, means as of a particular date, all Bonds theretofore and thereupon being authenticated and delivered under the Indenture except as otherwise provided therein.

"Outstanding Obligations" means the negotiable interest bearing revenue bonds of the City issued pursuant to the Outstanding Obligations Ordinances and which are described in the Restated Indenture.

"Outstanding Obligations Ordinances" means the Ordinances of the City pursuant to which the Outstanding Obligations were issued and which are described in the Restated Indenture.

"Partially Amortizing Bonds" will mean a Series of Bonds providing for principal payments such that: (i) the principal and interest coming due in the final year exceeds by more than 25% the amount coming due in any prior year; and (ii) the principal amount payable in the year ending on the final maturity date of such Series will not exceed the lesser of (a) 75% of the original principal amount of such Series or (b) the amount that would have been Outstanding on the day prior to the final maturity date of such Bonds if the Bonds of such Series had required level debt service payments (with interest payable at the Index Interest Rate) over the period beginning on the first principal payment date of such Series and ending on the anniversary of the final maturity date of such Series next occurring before the date which is 25.5 years after their issuance.

"Paying Agent" or "Paying Agents" means the Trustee or any other bank or banks or trust company or trust companies designated by the City as paying agent for the Bonds of any Series, and its successor or successors hereafter appointed in the manner provided for in the Indenture.

"PFC Account" means the PFC Account established and held by the City.

"PFC Act" means the Aviation Safety and Capacity Expansion Act of 1990, Pub. L. 101-508, Title IX, Subtitle B, §§ 9110 and 9111, recodified as 49 U.S.C. § 40117, as amended from time to time.

"PFC-Eligible Debt Service" means, for any PFC Year, that portion of debt service on the Bonds, the proceeds of which were used to finance PFC-Eligible Projects.

"PFC-Eligible Projects" means any projects that (i) are approved by the FAA for the imposition of PFC Revenues and (ii) are designated by the City as "PFC-Eligible Projects" pursuant to a Supplemental Indenture for the purpose of including the debt service thereon in the definition of PFC-Eligible Debt Service.

"PFC-Eligible 2001A ADP Debt Service" means PFC Eligible Debt Service on the 2001A ADP Bonds.

"PFC Eligible 2001A ADP Project" means any project designed at a PFC Eligible Project pursuant to the Eighth Supplemental Indenture.

"PFC Regulations" means Part 158 of the Federal Aviation Regulations (14 CFR Part 158), as amended from time to time, and any other regulation issued with respect to the PFC Act.

"PFC Revenues" means the PFCs remitted to the City as a result of enplanements at the Airport, including any interest earned thereon, after such PFCs have been remitted to the City as provided in the PFC Regulations.

"PFCs" means the passenger facility charges imposed at an airport from time to time pursuant to the PFC Act, the PFC Regulations and any Record of Decision of the FAA relating to passenger facility charges.

"PFC Year" means each one-year period from July 2 of a given calendar year through and including July 1 of the succeeding calendar year.

"Pledged PFC Revenues" means the portion of PFC Revenues that has been pledged to the payment of the Bonds pursuant to the terms of the Eighth Supplemental Indenture or any future Supplemental Indenture.

"Principal Installment" means, as of the date of calculation and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance (determined as provided in the Indenture) of any Sinking Fund Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

"Principal Payment Date" means July 1 of each year.

"Prior Supplemental Indentures" means, collectively, the First Supplemental Indenture of Trust between the City and the Trustee, dated as of July 1, 1987, the Second Supplemental Indenture of Trust between the City and the Trustee, dated as of November 15, 1992, the Third Supplemental Indenture of Trust between the City and the Trustee, dated as of November 1, 1993, the Fourth Supplemental Indenture of Trust between the City and the Trustee, dated as of April 1, 1996, the Fifth Supplemental Indenture of Trust between the City and the Trustee, dated as of April 1, 1996, and the Sixth Supplemental Indenture of Trust between the City and the Trustee, dated as of August 1, 1997.

"Project" means the capital projects to be financed with the proceeds of the Outstanding Obligations in accordance with the Outstanding Obligations Ordinances and which are to be completed subsequent to the issuance of the Series 1984 Bonds and the improvement, purchase, acquisition, construction and enlargement of the facilities, appurtenances and equipment described on Schedule I of the First Supplemental Indenture, the Second Supplemental Indenture and the Fourth Supplemental Indenture, as such Schedule is modified from time to time in accordance with the Indenture.

"Rating Agency" or "Rating Agencies" means, with respect to the Bonds or any Series of Bonds, Moody's, S&P and Fitch, to the extent that any of such rating services have issued a credit rating on the Bonds which is in effect at the time in question or, upon discontinuance of any of such rating services, such other nationally recognized rating service or services, if any such rating service has issued a credit rating on the Bonds at the request of the City and such credit rating is in effect at the time in question.

"Record Date" means the 15th day of the month preceding an Interest Payment Date.

"Redemption Price" means with respect to any 2002 Bond, the amount payable upon redemption thereof pursuant to the Ninth Supplemental Indenture.

"Refunded Bonds" means all of the City's outstanding Airport Revenue Refunding and Improvement Bonds, Series 1992, Lambert-St. Louis International Airport Project, outstanding as of the date hereof in the principal amount of $17,070,000.

"Renewal and Replacement Fund" means the Airport Renewal and Replacement Fund established by the Indenture.

"Restated Indenture" means the Amended and Restated Indenture of Trust between the City and the Trustee dated as of October 15, 1984, and further amended and restated as of September 10, 1997.

"Revenues" means, collectively, the GARB Revenues, the Pledged PFC Revenues and any other available moneys deposited, at the discretion of the City, in the Revenue Fund.

"Revenue Fund" means the Airport Revenue Fund established by the Indenture.

"S&P" means Standard & Poor's Ratings Services.

"Series" means all Bonds, including Additional Bonds, authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

"Special Facilities Indebtedness" means any indebtedness issued by the City or any other public corporation or public instrumentality to finance Special Facilities in accordance with the Special Facilities covenant, described in the Indenture.

"Special Facilities" means those capital improvements or facilities acquired or constructed after the date of the Indenture and described therein.

"Subordinated Indebtedness" means any evidence of debt referred to in, and complying with the provisions of the Indenture regarding Subordinated Indebtedness.

"Supplemental Indenture" means any indenture of the City amending or supplementing the Restated Indenture and adopted and becoming effective in accordance with the terms of the Restated Indenture.

"Tax Certificate" means the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986, by the City to evidence compliance with the provisions of Sections 141 through 150 of the Code.

"Trustee" means UMB Bank, N.A., a national banking association, and any successor trustee under the Indenture, acting in its trust capacity.

"Trust Estate" means (i) the proceeds of the sale of the 2001A ADP Bonds; (ii) GARB Revenues; (iii) the Pledged PFC Revenues; (iv) all funds established by the Indenture, including the investments, if any, thereof; (v) all other property of every name and nature from time to time mortgaged, pledged or hypothecated as and for additional security under the Indenture by the City, or by anyone on its behalf or with its written consent, in favor of the Trustee, which is authorized to receive all such property at any time and to hold and apply the same subject to the terms of the Indenture; and (vi) all proceeds of any of the foregoing.

"2002 Bond Insurer" means MBIA Insurance Corporation, the Bond Insurer for the 2002 Bonds.

"2002 Bonds" means collectively the 2002A Bonds, the 2002B Bonds and the 2002C Bonds.

"2002A Bonds" means The City of St. Louis, Missouri Airport Revenue Bonds, Series 2002A (Capital Improvement Program) (Non-AMT), issued in an aggregate principal amount of $69,195,000 and authorized to be issued pursuant to Article II hereof.

"2002B Bonds" means The City of St. Louis, Missouri Airport Revenue Bonds, Series 2002B (Capital Improvement Program) (AMT), issued in an aggregate principal amount of $31,755,000 and authorized to be issued pursuant to Article II hereof.

"2002C Bonds" means The City of St. Louis, Missouri Airport Revenue Refunding Bonds, Series 2002C (AMT), issued in an aggregate principal amount of $17,035,000 and authorized to be issued pursuant to Article II hereof.

"2002A Project" means the financing or reimbursement of the cost of the construction, improvement, renovation, expansion, rehabilitation and equipping of certain capital improvement projects at the Airport and funding capitalized interest, a surety bond to fund a debt service reserve account and costs of issuance in connection with the 2002A Bonds.

"2002B Project" means the financing or reimbursement of the cost of the construction, improvement, renovation, expansion, rehabilitation and equipping of certain capital improvement projects at the Airport including airfield improvements, terminal and infrastructure improvements, surface parking, parking garage improvements, and improvements in other cost centers, and funding capitalized interest, a surety bond to fund a debt service reserve account and costs of issuance in connection with the 2002B Bonds.

"Underwriters" means those underwriters identified in the Bond Purchase Agreements relating to the sale, purchase and delivery of the 2002 Bonds.

"Use Agreements" means the commercial airlines/airport use agreements between the principal certificated air carriers and the City, as amended from time to time.

"Variable Rate Bond" means any Bond, the rate of interest on which is subject to change prior to maturity and cannot be determined in advance of such change; provided, however, as long as the Bond Insurance Policy is in effect and the Bond Insurer is not in default under the Bond Insurance Policy, for all purposes, variable rate indebtedness shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (A) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published Bond Buyer "Revenue Bond Index" (or comparable index if no longer published) plus 50 basis points, or (B) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus 50 basis points; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a test period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period.

Issuance of the Bonds

The Indenture authorizes the issuance of one or more series of Bonds for the purpose of advance refunding the Outstanding Obligations, financing, together with the other funds available for such purpose, the Cost of Construction of the Project or any Additional Project, refunding any Outstanding Bonds, Subordinated Indebtedness, Special Facilities Indebtedness, funding any Funds or Accounts established pursuant to the Indenture or any combination of the foregoing. The Indenture authorizes the issuance of Variable Rate Bonds on such terms as will be provided in a Supplemental Indenture authorizing a Series of Bonds. Each such Series of Bonds be designated as "Airport Revenue Bonds" and will include such further appropriate designation as the City shall determine to distinguish the Bonds of such Series from the Bonds of all other Series.

The Indenture authorizes the issuance of one or more Series of Additional Bonds for the purpose of paying the Cost of Construction of the completion of the Project and all or a portion of the Cost of Construction of any Additional Project. The issuance of Additional Bonds is subject to certain conditions and tests, including, but not limited to:

(1) An Accountant's Certificate setting forth (a) for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the authentication and delivery of such Series, the Net Revenues for such 12-month period, and (b) the Aggregate Adjusted Debt Service for such 12-month period, and demonstrating that for such 12-month period Net Revenues equaled at least 1.25 times the Aggregate Adjusted Debt Service;

(2) A certificate of the Consulting Engineers setting forth (a) the estimated date of completion for the Project or any Additional Project for which such Series of Additional Bonds is being issued, and (b) an estimate of the Cost of Construction of the Project or any such Additional Project;

(3) A certificate of the Airport Consultant setting forth each of the three Airport Fiscal Years following the Airport Fiscal Year in which the Consulting Engineers estimate the Project or any such Additional Project will be completed, estimates of (a) Net Revenues and (b) amounts to be deposited from Revenues into the Debt Services Reserve Account, the Renewal and Replacement Fund and the Development Fund;

(4) A certificate of an Authorized Officer of the City setting forth (a) the estimates of Net Revenues, as set forth in the certificate of the Airport Consultant described in paragraph (3) above, for each of the three Airport Fiscal Years following the Airport Fiscal Year in which it is estimated that the Project or any Additional Project will be completed, (b) the estimates of the amounts to be deposited in certain funds and accounts from Revenues as set forth in the certificate of the Airport Consultant pursuant to paragraph (3) described above, for each of the three Airport Fiscal Years following the Airport Fiscal Year in which it is estimated that the

Project or any Additional Project will be completed, and (c) the Aggregate Adjusted Debt Service, determined after giving effect to the issuance of such Additional Bonds and including the Aggregate Debt Service, as estimated by such Authorized Officer, with respect to future Series of Bonds, if any, which such Authorized Officer shall estimate (based on the estimate of the Consulting Engineers of the Cost of Construction for the Project or any such Additional Project utilizing the Index Interest Rate) will be required to complete payment of the Cost of Construction of the Project or any such Additional Project, and demonstrating that the estimated Net Revenues in each of the Airport Fiscal Years set forth in (a) above is at least equal to 1.25 times Aggregate Adjusted Debt Service for the corresponding Airport Fiscal Year determined as described in (c) above; and

(5) A Counsel's Opinion to the effect that the issuance and sale of such Additional Bonds and the application of the proceeds thereof in accordance with the terms of the Supplemental Indenture authorizing such Bonds will not adversely affect the tax-exempt status of any Bonds outstanding immediately prior to the issuance of such Additional Bonds.

The proceeds, including accrued interest, of the Additional Bonds of each Series are to be applied simultaneously with the delivery of such Bonds in accordance with the Supplemental Indenture authorizing such Bonds or determining the terms and details thereof.

The amount of Pledged PFC Revenues that may be counted for the purpose of meeting the Additional Bonds Test pursuant to the Indenture for any Airport Fiscal Year may not exceed 125% of the sum of the outstanding and proposed PFC-Eligible Debt Service for such Airport Fiscal Year.

Refunding Bonds

The Indenture authorizes the issuance of one or more Series of Refunding Bonds for the purpose of refunding (i) all Outstanding Bonds of one or more Series or one or more maturities within a Series, (ii) any Subordinated Indebtedness, or (iii) any Special Facilities Indebtedness. Refunding Bonds are to be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds under the Indenture required by the provisions of the Supplemental Indenture authorizing such Bonds and determining the terms and details thereof.

Refunding Bonds of each Series issued to refund one or more Series of Outstanding Bonds or one or more maturities within a Series are to be authenticated and delivered by the Trustee only upon receipt by it from the City (in addition to the documents and moneys required by the Indenture) of:

(1) Irrevocable instruction to the Trustee, satisfactory to it, to give due notice of redemption of all Bonds to be redeemed, if any, on a redemption date specified in such instructions;

(2) If the Bonds to be refunded are not by their terms subject to redemption within the next succeeding 60 days, irrevocable instructions to the Trustee, satisfactory to it, to mail the notice provided in the Indenture to the Owners of the Bonds being refunded;

(3) Either (a) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which moneys are to be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Owners of the Bonds to be refunded, or (b) Government Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, as are necessary to comply with the provisions of the Indenture and any moneys required pursuant to the

Indenture, which Government Securities and moneys are to be held in trust and used only as provided in the Indenture.

(4) Either of the following: (a) a certificate of an Authorized Officer of the City setting forth (1) the Aggregate Debt Service and the Aggregate Adjusted Debt Services for the then current and each future Airport Fiscal Year to and including the Airport Fiscal Year next preceding the date of the latest maturity of any Bonds of any Series then Outstanding (X) with respect to the Bonds of all Series Outstanding immediately prior to the date of authentication and delivery of such Refunding Bonds, and (Y) with respect to the Bonds of all Series to be Outstanding immediately thereafter, and (ii) that the Aggregate Debt Service and the Aggregate Adjusted Debt Service set forth for each Airport Fiscal Year pursuant to (Y) above are no greater than the corresponding amounts set forth for such Airport Fiscal Year pursuant to (X) above; or (b) the certificates required by the Indenture evidencing that such Series of Refunding Bonds meets the tests provided for by the Indenture considering, for all purposes of such certificates and test, that such Series of Refunding Bonds is a Series of Additional Bonds.

The proceeds, including accrued interest, of the Refunding Bonds of each such Series shall be applied simultaneously with the delivery of such Bonds for the purpose of making deposits in such Funds and Accounts under the Indenture as shall be provided in the Supplemental Indenture authorizing such Bonds or determining the terms and details thereof and is to be applied to the refunding purposes thereof in the manner provided in said Supplemental Indenture.

Pledge Effected by the Indenture

The Bonds are secured by a pledge of, and the Bondholders are granted an express lien on (i) the proceeds of sale of the Bonds, (ii) GARB Revenues, (iii) Pledged PFC Revenues and (iv) all Funds established by the Indenture, including the investments, if any, thereof, and (v) all other property of every name and nature from time to time mortgaged, pledged or hypothecated as and for additional security under the Indenture by the City, or by anyone on its behalf or with its written consent, in favor of the Trustee, authorized to receive all such property at any time and to hold and apply the same, subject only to the rights of the holders of the Outstanding Obligations pursuant to the Outstanding Obligations Ordinances to the GARB Revenues of the Airport and the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

PFC-Eligible 2001A ADP Projects. The component projects of the 2001A ADP Project set forth in Appendix I to the Eighth Supplemental Indenture designated PFC-Eligible 2001A ADP Projects and the portion of the debt service on the 2001A ADP Bonds attributable to such PFC-Eligible 2001A ADP Projects constitute PFC-Eligible Debt Service. The amount of 2001A ADP Bond proceeds to be used to finance each PFC–Eligible 2001A ADP Project listed in Appendix I to the Eighth Supplemental Indenture may be increased or decreased so long as the total amount of 2001A ADP Bond proceeds used to finance the PFC-Eligible 2001A ADP Projects listed on Appendix I to the Eighth Supplemental Indenture remains the same.

The debt service on the 2001A ADP Bonds which is attributable to component projects of the 2001A ADP Project that are PFC-Eligible 2001A ADP Projects are set forth on Appendix II to the Eighth Supplemental Indenture. In the event of the redemption or defeasance of a portion of the 2001A ADP Bonds, the City is required to provide the Trustee with a certificate which reflects the reduction in PFC-Eligible Debt Service as a result of such redemption or defeasance.

No PFC-Eligible 2002 Projects. Neither the 2002A Project nor the 2002B Project has been designated as a PFC-Eligible Project. Accordingly, none of the debt service on the 2002 Bonds is PFC-Eligible Debt Service.

Pledged PFC Revenues

General. Pledged PFC Revenues for a given PFC Year constitute that portion of the PFC Revenues that, for such PFC Year, equals 125% of the amount of PFC-Eligible 2001A ADP Debt Service due during such PFC Year. The Pledged PFC Revenues for a given month are an amount equal to at least one-twelfth ($1/12^{th}$) of the total of Pledged PFC Revenues for the PFC Year, plus any deficiencies in Pledged PFC Revenues for any prior month in such PFC Year.

The definition of Revenues, as set forth in the Restated Indenture, is amended to include the Pledged PFC Revenues.

Pursuant to the Indenture, the City has pledged the Pledged PFC Revenues for the benefit of the Owners of the Bonds, including the 2001A ADP Bonds. The City will not create a lien on Pledged PFC Revenues that is senior to the lien of the 2001A ADP Bonds.

Neither the 2002A Project nor the 2002B Project has been designated as a PFC-Eligible Project. Accordingly, none of the debt service on the 2002 Bonds is PFC-Eligible Debt Service.

The City may, at any time with the execution and delivery of a Supplemental Indenture, submit additional PFC Revenues to the pledge of the Indenture.

Limitation on Pledge of PFC Revenues to Other Obligations. Prior to the Determination Date, the City is restricted from issuing any obligations the debt service on which will be payable, in whole or in part, from a pledge of PFC Revenues on a parity with the pledge of PFC Revenues to the Bonds unless Future O&D PFC Revenues for each PFC Year equal at least 125% of the aggregate of (1) the debt service on such obligations payable from Future PFC Revenues during such PFC Year, (ii) the Future PFC-Eligible Debt Service payable during such PFC Year and (iii) any other debt service payable from a pledge of PFC Revenues during such PFC Year.

Elimination of or Decrease in the Amount of Pledged PFC Revenues

On or after the Determination Date, the City may decrease the amount of Pledged PFC Revenues pledged to the Bonds, or eliminate the pledge of the Pledged PFC Revenues to the Bonds, upon receipt by the Trustee from the City of both of the following:

(i) A certificate of the Airport Consultant setting forth for each of three Airport Fiscal Years following the Airport Fiscal Year in which the pledge of the Pledged PFC Revenues will be decreased or eliminated, estimates of (A) Net Revenues (as adjusted to reflect the reduction or elimination of Pledged PFC Revenues), (B) the Aggregate Adjusted Debt Service (determined after giving effect to any Additional Bonds to be issued on or before the date of decrease or elimination of such pledge), and (C) demonstrating that the estimated Net Revenues set forth in (A) are at least equal to 1.25 times Aggregate Adjusted Debt Service for the corresponding Airport Fiscal Year determined as set forth in (B) above; and

(ii) An opinion of Bond Counsel to the effect that all conditions precedent to the decrease or elimination of the Pledged PFC Revenues have been met and such decrease or elimination will not adversely affect exclusion from gross income for federal income tax purposes of the interest on any Outstanding Bonds.

Establishment of Funds

The Indenture establishes the following Funds relating to the 2002 Bonds:

(A) Airport Revenue Fund, to be held by the City;

(B) Airport Operation and Maintenance Fund, to be held by the City;

(C) Airport Bond Fund held by the Trustee, including the 2002 Airport Debt Service Sub-Account of the Debt Service Account and therein established three sub-accounts designated as the 2002A Airport Debt Service Sub-Account, the 2002B Airport Debt Service Sub-Account and the 2002C Airport Debt Service Sub-Account;

(D) Debt Service Reserve Account within the Airport Bond Fund, including the 2002 Airport Debt Service Reserve Sub-Account of the Debt Service Reserve Account and therein established two sub-accounts designated as the 2002A/2002B Airport Debt Service Reserve Sub-Account and the 2002C Airport Debt Service Reserve Sub-Account;

(E) Airport Construction Fund to be held by the City, including the 2002 Airport Construction Account of the Construction Fund, and therein established two sub-accounts designated as the 2002A Airport Construction Sub-Account and the 2002B Airport Construction Sub-Account;

(F) Airport Costs of Issuance Subaccount within the Airport Construction Fund, including the 2002 Airport Costs of Issuance Account of the 2002 Airport Construction Account of the Construction Fund, and therein established three sub-accounts designated as the 2002A Airport Costs of Issuance Sub-Account, the 2002B Airport Costs of Issuance Sub-Account and the 2002C Airport Costs of Issuance Sub-Account;

(G) the Series 1992 Bonds Refunding Account, which account shall be held by the Trustee separate from any other accounts and shall be held irrevocably in trust for and assigned to the respective Owners of the Refunded Bonds.

(H) Airport Renewal and Replacement Fund, to be held by the City;

(I) Airport Development Fund, to be held by the City;

(J) Airport Contingency Fund, to be held by the City; and

(K) Airport Arbitrage Rebate Fund, to be held by the City.

Transfer to Series 1998 Airport Debt Service Reserve Account. Pursuant to Section 207 of the Seventh Supplemental Indenture which authorized the issuance of the Series 1998 Bonds, the Trustee is directed to transfer on July 1, 2003, from the Series 1992 Airport Debt Service Reserve Account and deposit from other legally available funds of the City to the Series 1998 Airport Debt Service Reserve Account established under the Seventh Supplemental Indenture, an amount sufficient to cause the Series 1998 Debt Service Reserve Account to equal the Series 1998 Bond Debt Service Reserve Requirement as set forth in such Seventh Supplemental Indenture. To comply with this requirement, the Trustee is hereby directed to transfer upon the issuance and delivery of the Series 2002 Bonds, the sum of $3,946,665 from the Series 1992 Airport Debt Service Reserve Account to the Series 1998 Airport Debt Service Reserve Account.

Surety Bond. The City shall obtain a debt service reserve surety bond from MBIA Insurance Corporation ("Surety Bond") in order to fund the Debt Service Reserve Sub-Account for the 2002A and 2002B Bonds. The City has entered into a Financial Guaranty Agreement with the Bond Insurer providing for, among other things, the reimbursement to the Bond Insurer of amounts drawn under such Surety Bond. As long as the Surety Bond is in full force and effect, the City and the Trustee agree to comply with the following provisions:

(i) In the event that moneys on deposit in the 2002A Debt Service Account of the Bond Fund or the 2002B Debt Service Account of the Bond Fund, plus cash, if any, on deposit in and credited to the 2002A/2002B Debt Service Reserve Sub-Account in excess of the amount of the Surety Bond, are insufficient to pay the amount of principal of and interest coming due on the 2002A Bonds or the 2002B Bonds, then:

(a) the Trustee shall deliver a demand for payment in the form attached to the Surety Bond no later than three (3) days prior to the date on which funds are required; and

(b) upon the later of: (i) three days after receipt of such Demand for Payment by the Bond Insurer, duly executed by the Trustee certifying that payment due under the Indenture has not been made to the Trustee, or (ii) the payment date of the Series 2002A Bonds or Series 2002B Bonds as specified in the Demand for Payment presented by the Trustee to the Bond Insurer, the Bond Insurer will make a deposit of funds in an account with State Street Bank and Trust Company, N.A., New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts that are then due to the Paying Agent as specified in the Demand for Payment, subject to the Surety Bond Coverage as defined in the Surety Bond.

(ii) The Paying Agent will, upon receipt of moneys received from the draw on the Surety Bond as specified in the Demand For Payment, credit the Series 2002A/200B Debt Service Reserve Sub-Account to the extent of moneys received pursuant to such Demand for Payment.

(iv) The 2002A/2002B Debt Service Reserve Sub-Account shall be replenished in the following priority: (i) Principal and interest on the Surety Bond shall be paid first from available revenues, and (ii) after all such amounts are paid in full, amounts necessary to fund the 2002A/2002B Debt Service Reserve Sub-Account to the Debt Service Reserve Requirement for each such Series, after taking into account the amounts available under the Surety Bond, shall be deposited from available revenues.

Application of Revenues

General. All Revenues as received are to be promptly deposited by the City into the Revenue Fund; provided, however, that the City is required to deposit PFC Revenues into the Revenue Fund in an amount equal to at least one-twelfth ($1/12^{th}$) of the total of Pledged PFC Revenues for the current PFC Year, plus any deficiencies in prior transfers during such PFC Year by no later than six (6) Business Days before the end of each month. Deposits into the Revenue Fund are to be adjusted to give credit for any excess money in the revenue Fund prior to any such transfer.

No later than five (5) Business Days before the end of each month and prior to the transfers described in the paragraph below, the City is required to transfer from the Revenue Fund to the Trustee for deposit into the Debt Service Account PFC Revenues in an amount equal to at least one-twelfth ($1/12^{th}$) of the PFC-Eligible 2002 Debt Service for such PFC Year, plus any deficiencies in payments made in prior months during such PFC Year. Transfers to the Debt Service Account are to be adjusted to give credit for any excess money in the Debt Service Account prior to any such transfer.

As soon as practicable in each month after the deposit of Revenues in the Revenue Fund but in any case no later than five business days before the end of each month, and after the transfer described in the preceding paragraph, the City is required to withdraw from the Revenue Fund for deposit in the following Funds in the following order of priority the amounts set forth below:

(1) To the Operation and Maintenance Fund, an amount sufficient to pay the estimated Operation and Maintenance Expenses during the next month;

(2) To the Bond Fund for credit to the Debt Service Account, if and to the extent required so that the balance in said Account will equal the Accrued Aggregate Debt Service on the Bonds; provided that, for the purposes of computing the amount in said Account, there is to be excluded the amount, if any, set aside in said Account which was deposited therein from the proceeds of each Series of Bonds less the amount of interest accrued and unpaid and to accrue on the Bonds of such Series (or any Refunding Bonds issued to refund such Bonds) to the last day of the then current calendar month;

(3) To the Bond Fund for credit to the Debt Service Reserve Account, an amount sufficient to maintain a balance in such Account equal to the Debt Service Reserve Requirement; provided, however, no deposit in the Debt Service Reserve Account will be required to the extent the amount therein equals or exceeds the Debt Service Reserve Requirement and in the event the amount in the Debt Service Reserve Account is reduced below the amount otherwise required therein, such amount will be replenished (i) immediately, first from any funds in the sub-account in the Revenue Fund referred to in clause (5) below and, thereafter, from other available funds, in such priority as the City may direct in the Contingency Fund, the Development Fund and the Renewal and Replacement Fund and (ii) at the earliest practicable date, to the extent such funds are not sufficient for such purpose, from the first available Revenues (after all deposits required to be made pursuant to clauses (1) and (2) described above have been made) following such reduction; provided, however, notwithstanding anything to the contrary in the Indenture, to the extent that a deficiency exists in the Debt Service Reserve Account, such deposits to the Bond Fund will be made in the order of priority indicated:

(a) To the Bond Fund for credit to the Debt Service Reserve Account, there will be deposited, at least monthly, to the Debt Service Reserve Account for a Series of Bonds an amount at least equal to 1/60 of the Debt Service Requirement for such Series of Bonds until the amount on deposit in the Debt Service Reserve Account will equal the Debt Service Reserve Requirement. The Debt Service Reserve Requirement will be cumulative and the amount of any deficiency in any month will be added to the amount otherwise required to be deposited to the credit of such Debt Service Reserve Account in each month thereafter until time as such deficiency will be remedied;

(b) To the Bond Fund for credit to the Debt Service Reserve Account, there will be deposited, at least monthly to the Debt Service Reserve Account for a Series of Bonds an amount equal to 1/12 of the deficiency attributed to a draw (or diminution in stated principal) upon a financial instrument as specified in the definition of Debt Service Reserve Requirement, deposited into the Debt Service Reserve Account until the principal amount (or available amount) of such financial instrument, either singularly, or in combination with amounts on deposit therein, is equal to the Debt Service Reserve Requirement if and only if such amounts are attributable to such Series of Bonds; and

(c) To the Bond Fund for credit to the Debt Service Reserve Account, there will be deposited to the Debt Service Reserve Account as soon as practicable (but not later than thirty days from the date of such deficiency), the full amount of any deficiency in the Debt Service Reserve Account, which is attributable to a decline in the market value of Investment Securities on deposit therein until such securities and any cash therein will equal the Debt Service Reserve Requirement;

(4) To the Arbitrage Rebate Fund, there shall be deposited as soon as practicable, the amount necessary to fund the Arbitrage Rebate Fund in order to pay the Rebate Amount when due and payable;

(5) To the Renewal and Replacement Fund, an amount equal to Fifty Seven Thousand Dollars ($57,000); provided that, no deposit will be required to be made into said Fund whenever and as long as uncommitted moneys in said Fund are equal to or greater than Three Million Five Hundred Thousand Dollars ($3,500,000) or such larger amount as the City will determine necessary, from time to time, for the purposes of said Fund; and provided further that, if any such monthly allocation to said Fund will be less than the required amount, the amount of the next succeeding monthly payments will be increased by the amount of such deficiency;

(6) To a sub-account in the Revenue Fund, an amount determined from time to time by the City, such that if deposits were made in amounts equal to such amount in each succeeding month during each Airport Fiscal Year, the balance in such sub-account will equal at the end of such Airport Fiscal Year the amounts payable to the City with respect to such Airport Fiscal Year pursuant to the Indenture;

(7) The remaining GARB Revenues in the Revenue Fund will be deposited into the Development Fund; and

(8) The remaining Pledged PFC Revenues in the Revenue Fund will be deposited into the PFC Account.

As soon as practicable after the end of each Airport Fiscal Year and except as otherwise provided in the Indenture and subject to the satisfaction of the conditions set forth therein, after all deposits required to be made into each of the aforesaid Funds have been made, the City is required to transfer from the sub-account in the Revenue Fund to the general revenue fund of the City, an amount equal to five percent (5%) of the GARB Revenues (excluding, however, from GARB Revenues, for this purpose only, investment income and other non-operating income of the Airport) during the Airport Fiscal Year then last ended; provided, however, for all periods subsequent to July 1, 1996, the applicable percentage of GARB Revenues (as determined above) will equal the percentage of the gross revenues required to be paid to the City by public utilities operating within the City (such percentage currently being ten percent).

The amounts payable to the City described in the preceding paragraph are limited to five percent of the GARB Revenues (excluding, however, from GARB Revenues, for this purpose only, investment income and other non-operating income of the Airport) until such time that the Trustee has received a Counsel's Opinion to the effect that the amount payable does not violate or conflict with any laws or contractual obligations applicable to the Airport and the City, including, without limitation, the Federal Airport and Airway Improvement Act of 1982 and the U.S. Department of Transportation Grant Agreements to which the City is a party.

The amount payable to the general revenue fund of the City described in the preceding paragraphs may be paid in advance in monthly installments so long as (i) such amount is included in the rate base utilized to determine rates and charges payable by air carriers which utilize the Airport and (ii) each such monthly installment will not exceed the lesser of one-twelfth ($1/12^{th}$) of eighty percent (80%) of the total amount paid to the City pursuant to such clause in respect of the prior Airport Fiscal Year or (2) eighty percent of the amount deposited in such month in the sub-account in the Revenue Account in respect of the amounts payable pursuant to the preceding paragraphs.

The final installment of the amount payable to the City in each Airport Fiscal Year is subject to the filing with the Trustee of certificates of the City that all required deposits to the Operation and

Maintenance Fund, the Bond Fund and the Renewal and Replacement Fund have been made and that no Event of Default has occurred and is continuing under the Indenture. If, during any Airport Fiscal Year, the aggregate amount paid in advance to the City exceeds the amount payable to the City during such Airport Fiscal Year, the amount of such excess will be returned by the City to the Revenue Fund. Until any such excess is returned by the City to the Revenue Fund, the City will be entitled to no further payments by the Airport.

Use of Moneys Remaining in Development Fund for Payment of Debt Service on LOI Bonds. The City is required, pursuant to the Trust Indenture between the City and UMB Bank, N.A., as trustee (the "LOI Trustee"), dated as of July 15, 2000, pursuant to which the $87,165,000 City of St. Louis, Missouri Letter of Intent Double Barrel Revenue Bonds, Series 2000 (Lambert-St. Louis International Airport Project) (the "LOI Bonds") were issued, on or before the fifth Business Day prior to the end of each month, if certain grant moneys to be paid by the FAA to the City pursuant to the FAA's Letter of Intent (the "Letter of Intent") for the current federal fiscal year have not been authorized and appropriated by the United States Congress, to transfer certain moneys from the Development Fund to the LOI Trustee in an amount equal to (i) one-sixth ($1/6^{th}$) of the interest due on the LOI Bonds on the next interest payment date for the LOI Bonds and (ii) one-twelfth ($1/12^{th}$) of the principal due on the LOI Bonds on the next principal payment date for the LOI Bonds to pay debt service on the LOI Bonds. *"Unencumbered ADF Funds"* means funds on deposit in the Development Fund that are not Encumbered ADF Funds. *"Encumbered ADF Funds"* means funds on deposit in the Development Fund that have been committed to the payment of capital projects at or related to, or maintenance of, the Airport, as designated by the monthly ADF Encumbrance Report prepared by the Airport. *"ADF Encumbrance Report"* means a report reflecting the amount of Encumbered ADF Funds on deposit in the Development Fund.

Application of PFC Revenues Not Needed for Debt Service. City-Held PFC Revenues on deposit in the PFC Account and Pledged PFC Revenues not needed to pay debt service on the Bonds pursuant to the terms of the Indenture may be transferred by the City to the PFC Account and applied by the City (e.g., to pay pay-as-you-go costs or other eligible costs or to redeem Outstanding Bonds or other obligations the proceeds of which were used to finance PFC-Eligible Projects) to the extent that, after such application, either of the following conditions is satisfied:

(a) if the date of such application is prior to the Determination Date, the sum of Future PFC Revenues, City-Held PFC Revenues and Trustee-Held PFC Revenues is equal to or greater than the sum of (i) 125% of Future PFC-Eligible Debt Service due and payable through December 31, 2005, (ii) Future PFC-Eligible Debt Service due and payable on or after January 1, 2006 and (iii) Other Obligations PFC-Eligible Debt Service; or

(b) if the date of such application is on or after the Determination Date, the sum of Future PFC Revenues, City-Held PFC Revenues and Trustee-Held PFC Revenues is equal to or greater than 100% of Future PFC-Eligible Debt Service.

Description of Funds Established by the Indenture

Operation and Maintenance Fund. Amounts in the Operation and Maintenance Fund are to be paid out from time to time by the City for reasonable and necessary Operation and Maintenance Expenses. Amounts in said Fund which the City at any time determines to be in excess of the requirements of such Fund will be transferred into the Revenue Fund and applied in accordance with the provisions of the Indenture regarding the application of Revenues.

Bond Fund-Debt Service Account. The Trustee is required to pay out of the Debt Service Account to the respective Paying Agents (1) on or before each interest payment date for any of the Bonds, the amount required for the interest payable on such date, (2) on or before each Principal Installment due date, the amount required for the Principal Installment payable on such due date; and (3) on or before the day preceding any redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be redeemed. Such amounts are required to be applied by the Paying Agents on and after the due dates thereof. The Trustee is also required to pay out of the Debt Service Account the accrued interest included in the purchase price of Bonds purchased for retirement.

Bond Fund-Debt Service Reserve Account. If, on the final business day of any month the amount in the Debt Service Account is less than the amount required to be in such account pursuant to the Indenture, the Trustee is required to apply amounts from the Debt Service Reserve Account to the extent necessary to make good such deficiency or deficiencies. Whenever the moneys on deposit in the Debt Service Reserve Account exceed the Debt Service Reserve Requirement, the Trustee, at the direction of an Authorized Officer of the City, is required to transfer the amount of such excess to the City in the manner set forth in the Indenture. If, as of June 30 of each year, the amount in any Account in the Debt Service Reserve Account exceeds the applicable Debt Service Reserve Requirement after giving effect to any letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution which provides for payment of all or a portion of the Principal Installments and/or interest due on any Series of Bonds, deposited in such Account, the Trustee will, on the first business day of the following Airport Fiscal Year, withdraw from such Account the amount of any excess therein over the applicable Debt Service Reserve Requirement as of the date of such withdrawal for deposit into (i) the Arbitrage Rebate Fund, the amount estimated by the City to be required by the Code to be rebated to the Department of the Treasury, if any, and (ii) the Revenue Fund, the amount of any excess then remaining in the Debt Service Reserve Account over the applicable Debt Service Reserve Fund Requirement. If the amount in any Account in the Debt Service Reserve Account is less than the applicable Debt Service Reserve Requirement and to the extent that such deficiency has not been made up within 12 months with respect to a deficiency resulting from a draw on the Debt Service Reserve Account by deposits pursuant to the Indenture or to the extent there has been a deficiency resulting from a decline in market value, the City will immediately deposit such amounts as will be necessary to cure such deficiency.

Whenever the amount in the Debt Service Reserve Account, together with the amount in the Debt Service Account, is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal and applicable sinking fund Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Account are to be transferred to the Debt Service Account. Prior to said transfer, all investments held in the Debt Service Reserve Account are to be liquidated to the extent deemed necessary in order to provide for the timely payment of principal and interest (or Redemption Price) on the Bonds Outstanding.

The Trustee is required to transfer to the City for deposit in the Revenue Fund all investment earnings on moneys in the Debt Service Reserve Account, such transfer to be made at such times required by the City.

Renewal and Replacement Fund. Money in the Renewal and Replacement Fund may be applied to pay costs of the renewal or replacement of machinery, equipment, rolling stock, facilities or other capital items used in connection with the operation of the Airport. If at any time the moneys in the Debt Service Account, the Debt Service Reserve Account, the Development Fund and the Contingency Fund are insufficient to pay the interest and Principal Installments when due on the Bonds, the City, upon requisition of the Trustee, is required to transfer from the Renewal and Replacement Fund to the Trustee for deposit in the Debt Service Account the amount necessary (or all of the moneys in said Fund if less than the amount necessary) to make up such deficiency. If at any time the moneys in the Operation and Maintenance Fund and the Contingency Fund will be insufficient to pay Operation and Maintenance Expenses when due, the City is required to transfer from the Renewal and Replacement Fund to the Operation and Maintenance Fund the amount necessary (or all of the moneys in said Fund if less than the amount necessary) to make up such deficiency. If the amount on deposit at any time in the Debt Services

Reserve Account is reduced below the amount required therein pursuant to the Indenture, the City may transfer from the Renewal or Replacement Fund to the Debt Service Reserve Account all or a portion of the amount of such deficiency.

Development Fund. Moneys in the Development Fund may be applied, in accordance with the Capital Budget or otherwise, at the discretion of the City, to the acquisition of land or easements for the expansion or improvement of the Airport, to purchase items of machinery, equipment, rolling stock or other capital items for use in connection with the Airport, to pay the cost of planning, engineering, design and construction of new facilities for the Airport, or to pay the cost of any other capital improvements to the Airport. If at any time the moneys in the Debt Service Account, Debt Service Reserve Account and the Contingency Fund are insufficient to pay the interest and Principal Installments when due on the Bonds, the City, upon requisition of the Trustee, is required to transfer from the Development Fund to the Trustee for deposit in the Debt Service Account the amount necessary to make up such deficiency (or all of the moneys in said Fund if less than the amount necessary). If at any time the moneys in the Operation and Maintenance Fund, the Renewal and Replacement Fund and the Contingency Fund are insufficient to pay Operation and Maintenance expenses when due, the City is required to transfer from the Development Fund to the Operation and Maintenance Fund the amount necessary to make up such deficiency. The City may use amounts on deposit in the Development Fund to make payments pursuant to an Interest Rate Exchange Agreement by transferring such amounts to the Debt Service Account of the Bond Fund or as otherwise specified in a Supplemental Indenture for such Series of Bonds. The City may, but if and only to the extent consistent with the Capital Budget, transfer from the Development Fund to the Contingency Fund any moneys in the Development Fund which are no longer needed for the purposes of moneys on deposit in the Development Fund.

Contingency Fund. If at any time the moneys in the Debt Service Account and the Debt Service Reserve Account are insufficient to pay the interest and Principal Installments when due on the Bonds, the City, upon requisition of the Trustee, is required to transfer from the Contingency Fund to the Trustee for deposit in the Debt Service Account the amount necessary (or all of the moneys in said Fund if less than the amount necessary) to make up such deficiency or deficiencies. If at any time the moneys in the Operation and Maintenance Fund are insufficient to pay Operation and Maintenance Expenses when due, the City will transfer from the Contingency Fund to the Operation and Maintenance Fund the amount necessary (or all of the moneys in said Fund if less than the amount necessary) to make up such deficiency. If the amount on deposit in the Debt Service Reserve Account is reduced below the amount required therein, the City may transfer from the Contingency Fund to the Debt Services Reserve Account all or a portion of the amount of such deficiency. Amounts in the Contingency Fund not required to meet a deficiency as required above, may, at the discretion of the City, be applied to any one or more of the following purposes:

1. the purchase or redemption of any Bonds, and expenses in connection with the purchase or redemption of any such Bonds;

2. payments of principal or redemption price of and interest on any Subordinated Indebtedness;

3. improvements, extensions, betterments, renewals, replacements, repairs, maintenance or reconstruction of any properties or facilities of the Airport or the provision of one or more reserves therefor; and

4. any other corporate purpose of the City in connection with the Airport, the local airport system or other local facilities which are owned or operated by the City and directly related to the actual transportation of passengers or property.

Whenever any moneys in the Contingency Fund are to be applied to the purchase or redemption of Bonds, the City is required to deposit such moneys with the Trustee, in a separate account established for purpose, and is required to give written instructions to the Trustee to make such purchase or redemption in accordance with the provisions of the Indenture. Upon any such purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Installments have been established, an amount equal to the principal amount of such Bonds so purchased or redeemed is to be credited toward a part (an integral multiple of $5,000) or all of any one or more Sinking Fund Installments thereafter to become due, as directed by the City in a certificate in writing signed by an Authorized Officer of the City and filed with the Trustee, or in the absence of such direction, toward such Sinking Fund Installments in inverse order of their due dates. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) will constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

Arbitrage Rebate Fund

The Arbitrage Rebate Fund is required to be maintained by the City for as long as any Series of Bonds is Outstanding for the purpose of paying to the United States Treasury the amount required to be rebated pursuant to Section 148(f) of the Code. Any moneys in the Rebate Fund are to be invested in Government Obligations and investment earnings are to be credited to the Rebate Fund.

Subordinated Indebtedness

Nothing contained in the Indenture will prohibit or prevent, or be deemed, or construed, to prohibit or prevent, the City from issuing bonds, notes, certificates, warrants or other evidence of indebtedness payable as to principal and interest from the Revenue Fund and the Net Revenues subject and subordinate to the deposits and credits required to be made therefrom to the Debt Service Account, Debt Service Reserve Account, the Renewal and Replacement Fund or from securing such bonds, notes, certificates, warrants or other evidences of indebtedness and the payment thereof by a lien and pledge on the Net Revenues junior and inferior to the lien and pledge on the Net Revenues created by the Indenture for the payment and security of the Bonds. Prior to the issuance of any Subordinated Indebtedness, the City is required to furnish to the Trustee a Certificate of the City that estimated Net Revenues available after payment of Debt Service of Outstanding Bonds for each of the subsequent three (3) Fiscal Years following the fiscal year in which it is estimated that the Project or any Additional Project will be completed will be at least equal to 1.10 times debt service on outstanding Subordinated Indebtedness plus debt service on Subordinated Indebtedness projected to be issued. The principal amount of any such Subordinated Indebtedness will, by its terms, not be subject to acceleration upon default unless and until the principal amount of the Bonds has been accelerated pursuant to the Indenture.

Investment of Certain Funds

Moneys held in the Debt Service Account and the Debt Service Reserve Account are to be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities which mature not later than such times as will be necessary to provide moneys when needed for payments to be made from such Fund and Accounts, and in the case of the Debt Service Reserve Account not later than 15 years (unless such securities will be redeemable at the option of the holder thereof, in which event such securities may mature at a date no later than the final maturity date of the Bonds). The Trustee will make such investment in accordance with any instructions received from an Authorized Officer of the City. The Trustee, upon notice to and written consent of an Authorized Officer of the City, may make any and all such investments through its own bond department or the bond department of any bank or trust company under common control with the Trustee.

Moneys in the Revenue Fund and the Construction Fund may be invested by the City in Investment Securities which mature not later than such time as will be necessary to provide moneys when needed to provide payments from such Funds. Moneys in the Operation and Maintenance Fund may be invested by the City in Investment Securities which mature within 12 months and moneys in the Development Fund, the Renewal and Replacement Fund and the Contingency Fund may be invested in Investment Securities which mature within 5 years, and in any case not later than such time as will be necessary to provide moneys when needed for payment from such respective Funds.

Earnings on any moneys on investments on all Funds and Accounts established under the Indenture will be deposited in the Revenue Fund, except that earnings on the moneys or investments in the Construction Fund will, to the extent expressly required by the terms of any Supplemental Indenture authorizing the issuance of a Series of Bonds, be retained in the Construction Fund.

Particular Covenants of the City

Powers as to the Airport and Collection of Rates, Fees and Rentals. The City has and will have so long as any Bond are Outstanding, good right and lawful authority to acquire, construction develop, operate, maintain, repair, improve, reconstruct, enlarge, and extend the Airport and to fix rates, fees, rentals and other charges in connection therewith.

Indebtedness and Liens. The City has covenanted not to issue any bonds, notes or other evidences of indebtedness, other than the Bonds, payable out of or secured by a pledge of the Revenues or of the moneys, securities of funds held or set aside by the City or by the Fiduciaries under the Indenture and will not create or cause to be created any lien or charge on the Revenues or such moneys, securities or funds; provided, however, that nothing contained in the Indenture will prevent the City from issuing Subordinated Indebtedness as provided in the Indenture.

Sale, Lease or Encumbrance of Property. The City has covenanted not to sell or otherwise dispose of or encumber any part of the Airport, except property which, in the opinion of the Airport Commission and the Airport Consultant, is no longer necessary or useful in the operation thereof, and except as provided in the Indenture with respect to Special Facilities. In addition, the City may lease or make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the Airport if such lease, contract, license, easement or right does not impede or restrict the operation by the City of the Airport for Airport purposes. Proceeds from the sale or disposition of property not used to replace such property and any such payments with respect to a lease, contract, license, easement or right not otherwise required to be applied in accordance with the Indenture will be applied in the same manner and to the same purpose as Revenues.

The Indenture expressly permits the transfer (by sale, lease or otherwise) of all or a substantial part of the Airport if the principal of and interest on the Bonds are paid in full; the Bonds are defeased in accordance with the Indenture; or the transferee assumes all obligations of the City under the Indenture and in the Bonds and if, in the case of such assumption: (1) in the written opinions of the Director of Airports and the Airport Consultant, after giving effect to such transfer and assumption, the ability of the transferee to meet the rate maintenance and other covenants under the Indenture and the security for the Bonds are not materially and adversely affected, (2) the City will have furnished the Trustee with a Counsel's Opinion to the effect that such transfer will not adversely affect the tax-exempt status of interest on the Bonds under the Code and (3) such transferee will expressly agree not to use the Funds held under the Indenture otherwise than as provided in the Indenture. In the event of any such transfer and assumption, nothing in the Indenture will prohibit or prevent the retention by the City of any facility of the Airport if, in the written opinions of the Director of Airports and the Airport Consultant, such retention will not materially and adversely affect the security for the Bonds, nor unreasonably restrict the transferee's ability to comply with the rate maintenance and other covenants thereunder. Any consideration received by the City from the transferee of all or a substantial part of the Airport will not constitute "Revenues" under the Indenture or be subject to the terms and provisions of the Indenture. The terms and conditions of the transfer of all or a substantial part of the Airport pursuant to the Indenture will be set forth in a Supplemental Indenture executed by the City, the Trustee and the transferee and notice of such transfer will be given to the Bondholders in accordance with the Indenture.

Operation Maintenance and Reconstruction. The City shall at all times operate, or cause to be operated, the airport properly and in a sound, efficient and economical manner and shall maintain, preserve, and keep the same or cause the same to be maintained, preserved, and kept with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make or cause to be made, all ordinary, necessary and proper repairs, replacements and renewals so that at all times the operation of the Airport may be properly and advantageously conducted, and I, if any useful part of the Airport is damaged or destroyed, the City shall, as expeditiously as may be possible, commence and diligently prosecute the ordinary replacement or reconstruction of such part so as to restore the same to use; provided, however, that nothing in the Indenture shall require the City to operate, maintain, preserve, repair, replace, renew or reconstruct any part of the Airport (1) from sources other than the Revenues or (2) if there shall be filed with the Trustee (i) a certificate executed by an Authorized Officer of the City stating that in the opinion of the City abandonment of operation of such part is economically justified and is not prejudicial to the interests of the Owners of the Bonds, and (ii) a consent to the filing of such certificate is given by the Trustee, which consent shall be withheld only upon reasonable grounds.

Rates and Charges. The City has covenanted to, at all times while any Bonds will be Outstanding, establish, fix, prescribe and collect such rates, fees, rentals and other charges for the use of the Airport as will be reasonably anticipated to provide in each Airport Fiscal Year an amount so that the Revenues will be sufficient to pay the Aggregate Debt Service for such Airport Fiscal Year and to provide the funds necessary to make the required deposits in and maintain the several Funds and Accounts established in the Indenture, and in any event, as will be required to pay or discharge all indebtedness, charges and liens whatsoever payable out of Revenues under the Indenture.

Insurance. So long as any Bonds are Outstanding the City will at all times carry insurance or cause insurance to be carried, including the City as an insured as its interest may appear, with a responsible insurance company or companies authorized and qualified under the laws of any state of the United States of America to assume the risk thereof, covering such properties of the Airport as are customarily insured, and against loss or damage from such causes as are customarily insured against, by public or private corporations engaged in a similar type of business, all in accordance with the annual written recommendations of the Insurance Consultant.

Any proceeds of insurance for the Airport will be paid into the Construction Fund during the period of Construction, and thereafter will, to the extent necessary and desirable, be applied to the repair and replacement of any damaged or destroyed properties of the Airport. If any of said proceeds received are not used or committed for use with respect to the repair or replacement of Airport property within twenty-four months of receipt, such proceeds will be paid into the Development Fund.

Airport Consultant. The City will employ an Airport Consultant from time to time whenever and for the purposes contemplated by the Indenture. Such Airport Consultant will be an airport consultant or airport consultant firm or corporation having a wide and favorable reputation for skill and experience with respect to the operation and maintenance of airports, in recommending rental and other charges for use of airport facilities and in projecting revenues to be derived from the operation of airports.

Budgets. The City has covenanted to prepare and file annually with the Trustee at the beginning of each City Fiscal Year an Annual Budget setting forth the ensuing City Fiscal Year in reasonable detail, among other things, estimated Revenues, estimated Operation and Maintenance Expenses, reasonably anticipated unusual and extraordinary expenses, and deposits into each of the Funds established under the Indenture. The City may at any time adopt an amended Annual Budget for the remainder of the then current City Fiscal Year.

At least every five City Fiscal Years the City (through the Airport Commission) has covenanted to prepare and file with the Trustee a Capital Budget for the Airport for the ensuing five City Fiscal Years. The Capital Budget will set forth in reasonable detail the anticipated necessary or appropriate major capital improvements to the Airport during the succeeding five year period, the estimated Cost of Construction of such capital improvements and the anticipated sources of funds for the payment of such Costs. The City may at any time and from time to time adopt an amended Capital Budget for the remainder of the five City Fiscal Years covered thereby and will promptly file any such amendment with the Trustee. The Capital Budget and any amendments thereto will be available at the offices of the Trustee for inspection by the Bondholders.

Accounts and Reports. The City has covenanted to keep or cause to be kept proper books of record and account of the Airport in which complete and correct entries will be made of its transactions relating to the Revenues, each Fund and Account established under the Indenture and which will at all times be subject to the inspection of the Trustee and the Owners of an aggregate of not less than 5% in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

The City will annually cause an audit to be made of its books and accounts relating to the Airport for such Airport Fiscal Year by an independent and recognized certified public accountant or firm of independent certified public accountants not in the regular employ of the City. Promptly thereafter reports of each audit will be filed with the Trustee, each Bond Insurer and each rating agency, if any, maintaining a credit rating on any of the Bonds. Each such Audit Report will set forth with respect to such Airport Fiscal Year: (i) a statement of financial condition of the Airport as of the end of such Airport Fiscal Year and the related statement of revenues and expenses for the Airport Fiscal Year then ended, (ii) a summary with respect to each Fund and Account established under the Indenture of the receipts therein and disbursements therefrom; (iii) the details of all Bonds issued, paid, purchased or redeemed, (iv) the amounts on deposit at the end of such Airport Fiscal Year to the credit of each Fund and Account established under the Indenture; (v) the amounts of the proceeds received from any sales of property constituting part of the Airport; and (vi) a list of all insurance policies with respect to the Airport or certificates thereof then held by the City or the Trustee.

The reports, statements and other documents required to be furnished to the Trustee pursuant to any provisions of the Indenture will be available for the inspection of the Bondholders at the office of the Trustee and will be mailed to each Bondholder who will file a written request therefor with the City. The City may charge each Bondholder requesting such reports, statement and other documents, a reasonable fee to cover reproduction, handling and postage.

Special Facilities. The City or any other public corporation or public instrumentality will be authorized to finance from the proceeds of obligations, other than Bonds, issued by the City or such other public corporation or public instrumentality which are not payable from Revenues, capital improvements or facilities to be located in any property included under the definition of Airport ("Special Facilities") without regard to any requirements of the Indenture with respect to the issuance of Additional Bonds, provided:

(1) Such obligations are payable solely from rentals or other charges derived by the City or such other public corporation or public instrumentality under a lease, sale or other agreement entered into between the City or such other public corporation or public

instrumentality and the person, firm or corporation which will be utilizing the Special Facilities to be financed.

(2) The estimated rentals, payments or other charges (including interest earnings on any reserves) to be derived by the City or such other public corporation or public instrumentality from the lease, sale or other agreement with respect to the Special Facilities to be financed will be at least sufficient to pay the principal of and interest on such obligations, all costs of operating and maintaining such Special Facilities and all sinking fund, reserve or other payments required by the resolution, ordinance or indenture securing such obligations.

(3) The construction and operation of the Special Facilities to be financed will not decrease the Revenues presently projected to be derived from the Airport.

(4) In addition to all rentals, payments or other charges with respect to the Special Facilities to be financed, a fair and reasonable rental for the land upon which said Special Facilities are to be constructed will be charged by the City, and said ground rent will be deemed Revenues derived from the Airport.

The Indenture further provides that the provisions described above are not applicable to or otherwise deemed to limit the right of the City or any other public corporation or public instrumentality to finance the expansion, relocation or other improvement of any airline aviation fueling facilities or in-flight meal preparation facilities located at the Airport on October 15, 1984.

Continuing Disclosure. The City has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement and that such Continuing Disclosure Agreement is intended to be for the benefit of the holders of the 2002 Bonds, including the Beneficial Owners thereof. Notwithstanding any other provision of the Indenture, failure of the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement will not be considered an Event of Default; however, the Trustee may (and, at the request of any of the Underwriters or any Bondholder or Beneficial Owner of 25% or more of the 2002 Bonds then Outstanding is required to) or any Bondholder or Beneficial Owner of 2002 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Trustee, as the case may be, to comply with their continuing disclosure obligations. A default under the Continuing Disclosure Agreement will not be a default under the Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement is an action to compel performance.

Tax Covenant of the City. The City has covenanted that it will comply with the Tax Certificate and that it will neither make nor direct the Trustee to make any investment or other use of the proceeds of the 2002 Bonds that would (a) cause the 2002 Bonds to be "arbitrage bonds" as that term is defined in Section 148(a) of the Code or (b) cause interest paid on the 2002 Bonds to not be excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code and that it will comply with the requirements of the Code throughout the term of the Bonds. The Trustee has covenanted that in those instances where it exercises discretion over the investment of funds, it will not knowingly make any investment inconsistent with the foregoing covenants.

The City covenants that it (a) will take, or use its best efforts to require to be taken, all actions that may be required of the City for the interest on the 2002 Bonds to be and remain not included in gross income for federal income tax purposes and (b) will not take or authorize to be taken any actions within its control that would adversely affect that status under the provisions of the Code.

Covenant of the City to Assess Airlines for Debt Service on 2002 Bonds to the Extent that Other Moneys are Unavailable. To the extent permissible under federal and other applicable law, the City has covenanted that upon the expiration of the Use Agreements (i.e., after December 31, 2005), the City will establish, fix, prescribe and collect such rates, fees, rentals and other charges from the air carriers operating at the Airport in an amount sufficient to pay the debt service on all Bonds outstanding, from time to time, to the extent that other moneys are not available for such purpose.

Events of Default and Remedies

Each of the following constitutes an event of default (each, an "Event of Default") under the Indenture:

(A) if default is made in the due and punctual payment of the principal of or Redemption Price of any Bond, whether at maturity or by call for redemption, or otherwise, or in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor when and as such interest installment or Sinking Fund Installment will become due and payable;

(B) if default is made by the City in the performance or observance of the covenants, agreements and conditions on its part in establishing, fixing, prescribing and collecting rates, fees, rentals and other charges for the use of the Airport in order that in each Airport Fiscal Year the Revenues will be sufficient to pay the Aggregate Debt Service for such Airport Fiscal Year and to provide the funds necessary to make the required deposits in and maintain the several Funds and Accounts established in the Indenture, and in any event, as are required to pay or discharge all indebtedness, charges and liens whatsoever payable out of the Revenues under the Indenture; provided, however, a failure by the City to comply with the foregoing covenant will not constitute an event of default under the Indenture if, (i) within four months of the end of the most recently completed Airport Fiscal Year, the City retains the Airport Consultant for the purpose of making recommendations with respect to the operations of the Airport and the sufficiency of its rates, fees, rentals and other charges, (ii) the Airport Consultant will make the required recommendations to the City within seven months of the end of such Airport Fiscal Year and file same with the Trustee; and (iii) the City will diligently and in good faith follow the recommendations of the Airport Consultant;

(C) if default will be made by the City in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Indenture or in the Bonds and such default will continue for a period of sixty days after written notice thereof to the City by the Trustee or to the City and to the Trustee by the Owners of not less than twenty-five percent in principal amount of the Bonds Outstanding; provided, however, that if such failure will be such that it can be corrected but cannot be corrected within such sixty day period, it will not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected;

(D) if the City will file a petition seeking a composition of indebtedness under the Federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State of Missouri;

(E) if judgment for the payment of money is rendered against the City as the result of the construction, improvement, ownership, control or operation of the Airport, and any such judgment will not be discharged within twenty-four months after the entry thereof, or an appeal will not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment will have been granted or entered, in such manner as to set aside or stay the execution of or levy under such judgment, or order, decree or process or the enforcement thereof; or

(F) if an order or decree is entered, with the consent or acquiescence of the City, appointing a receiver or receivers of the Airport or any part thereof, or other revenues therefrom, or if such order or decree having been entered without the consent or acquiescence of the City, will not be vacated or discharged, stayed or appealed within ninety (90) days after the entry thereof;

then and in each and every such case, so long as such Event of Default will not have been remedied, unless the principal of all the Bonds will have already become due and payable, either the Trustee may (by notice in writing to the City), and upon written request of the Owners of not less than twenty-five percent in principal amount of the Bonds Outstanding (by notice in writing to the City and the Trustee) will, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and be immediately due and payable, anything in the Indenture or in any of the Bonds contained to the contrary notwithstanding.

The right of the Trustee to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds will have matured by their terms, all overdue installments of interest upon the Bonds, together with interest on such overdue installments of interest to the extent permitted by law and the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the City under the Indenture (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration) will either be paid by or for the account of the City or provision satisfactory to the Trustee will be made for such payment, and all defaults under the Bonds or under the Indenture (other than the payment of principal and interest due and payable solely by reason of such declaration) will be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate will be made therefor, then and in every such case the Owners of fifty-one percent in principal amount of the Bonds Outstanding, by written notice to the City and to the Trustee, may rescind such declaration and annul such default in its entirety, or, if the Trustee will have acted itself, and if there will not have theretofore delivered to the Trustee written direction to the contrary by the Owners of fifty-one percent in principal amount of the Bonds then Outstanding, then any such declaration will ipso facto be deemed to be rescinded and any such default and its consequences will ipso facto be deemed to be annulled, but no such rescission and annulment will extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

If an Event of Default has happened and has not been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon written request of the Owners of not less than twenty-five percent in principal amount of the Bonds Outstanding or the Bond Insurers will proceed, to protect and enforce its rights and the rights of the Owners of the Bonds under the Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant contained in the Indenture, or in aid of the execution of any power therein granted, or for an accounting against the City as if the City were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, will deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

The Owners of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee will have the right to decline to follow any such direction if the Trustee will be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith will determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

Regardless of the happening of an Event of Default, the Trustee will have power to, but unless requested in writing by the Owners of not less than 51% in principal amount of the Bonds then Outstanding or the Bond Insurers, and furnished with reasonable security and indemnity, will be under no obligation to, institute and maintain such suits and proceedings as it may be advised will be necessary or expedient to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture, and such suits and proceedings as the Trustee may be advised will be necessary or expedient to preserve or protect its interests and the interest of the Bondholders.

Certain actions required or permitted to be taken under the Indenture by the Holders of any 2002 Bonds may be taken by the 2002 Bond Insurer without any action being taken by the Holders thereof. Any action taken by the 2002 Bond Insurer will be deemed to be the action taken by such Holders of the 2002 Bonds.

Restrictions on Bondholders' Actions

No Owner of any Bond will have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture, unless such Owner will have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Indenture, and the Owners of at least twenty-five percent in principal amount of the Bonds then Outstanding will have filed a written request with the Trustee, and will have offered it reasonable opportunity, either to exercise the powers granted in the Indenture or by the laws of the State of Missouri or to institute such action, suit or proceeding in its own name, and unless such Owners will have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee will have refused to comply with such request for a period of thirty days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture will be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds.

Waiver of Events of Defaults

Prior to the declaration of maturity of the Bonds as provided in the Indenture, the Owners of at least fifty-one percent in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the Bonds waive any past default under the Indenture and its consequences, except a default in the payment of interest on or principal of or premium (if any) on any of the Bonds. No such waiver will extend to any subsequent or other default or impair any right consequent thereon.

Rights of Bond Insurers upon Default

All actions permitted to be taken under the Indenture upon the occurrence of an Event of Default by the Owners of any Bonds insured by a Bond Insurer may be taken by such Bond Insurer without any action being taken by such Owner. Any action taken by such Bond Insurer will be deemed to be the action taken by such Owner for purposes of the Indenture.

Supplemental Indentures

For any one or more of the following purposes at any time or from time to time, a Supplemental Indenture of the City may be adopted, which, upon the execution and delivery thereof by the Trustee will be fully effective in accordance with its terms:

(1) To close the Indenture against, or provide limitations and restrictions to the limitations and restrictions contained in the Indenture on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(2) To add to the covenants and agreements of the City in the Indenture, other covenants and agreements to be observed by the City which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(3) To add to the limitations and restrictions in the Indenture, other limitations and restrictions to be observed by the City which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(4) To provide for the issuance of bearer Bonds and interest coupons and establish appropriate exchange privileges and notice requirements in connection therewith with respect to any Bonds issued or to be issued under the Indenture;

(5) To authorize Bonds of a Series or to determine the terms and details thereof and, in connection therewith, specify and determine certain matters and things pertaining to the issuance of the Bonds, Additional Bonds and Refunding Bonds referred to in the Indenture, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Indenture as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

(6) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture, of the Revenues, or of any other moneys, securities or funds;

(7) To modify any of the provisions of the Indenture in any respect whatever, provided that (i) the effective date of such modification will be, and expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Indenture will cease to be Outstanding, and (ii) such Supplemental Indenture will be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof;

(8) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture; or

(9) To insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as theretofore in effect.

At any time or from time to time, a Supplemental Indenture may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of the Indenture, which Supplemental Indenture, upon the execution and delivery thereof by the Trustee and upon compliance with the provisions of the Indenture, will become fully effective in accordance with its terms as provided in the Indenture.

Any modification or amendment of the Indenture and of the rights and obligations of the City and of the Owners of the Bonds thereunder, in particular, may be made by a Supplemental Indenture, with the written consent given as provided in the Indenture (i) of the Owners of at least fifty-one percent in principal amount of the Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least fifty-one percent in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Indenture. No such modification or amendment will permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or Sinking Fund Installment or any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bonds, or will reduce the percentages or otherwise affect the classes of Bonds the consent of the owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or objections of any Fiduciary without its written assent thereto.

The terms and provisions of the Indenture and the rights and obligations of the City and of the Owners of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the City of a Supplemental Indenture and the consent of the Owners of all the Bonds then Outstanding.

The consent of the Owner of any Bond which is entitled to the benefits of a Bond Insurance Policy issued by a Bond Insurer will not be effective unless the Trustee will have received a written consent of such Bond Insurer. For purposes of certain provisions of the Indenture, certain actions required or permitted to be taken thereunder by the owners of any Bonds may be taken by such Bond Insurer without any action being taken by the owners thereof. Any action taken by such Bond Insurer will be deemed to be the action taken by such owners.

Discharge of Lien of the Indenture

If the City will pay or cause to be paid, or there will otherwise be paid, to the Owners of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then the pledge of any Net Revenues, and other moneys and securities pledged under the Indenture and all covenants, agreements and other obligations of the City to the Bondholders, will thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or interest installments for payment or redemption of which moneys will have been set aside and will be held in trust by the Paying Agents (through deposit by the City of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof will be deemed to have been paid within the meaning and with the effect expressed in the Indenture. All Outstanding Bonds of any Series will prior to the maturity or redemption date thereof be deemed to have been paid if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the City will have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in the Indenture notice of redemption of such Bonds on said date; (ii) there will have been deposited with the Trustee either moneys in an amount which will be sufficient, or Government Securities the principal of and the interest on which when due will provide money which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient, to pay when due the principal or premium, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, and all necessary and proper fees, compensation and expenses of the Trustee and Paying Agents pertaining to the Bonds with respect to which such deposit is made will have been paid or the payment thereof provided for to the satisfaction of the Trustee and Paying Agents, respectively, as the case may be; and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, the City will have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, to the Owners of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds.

Anything in the Indenture to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, will, unless otherwise provided by law, at the written request of the City, be repaid by the Fiduciary to the City, as its absolute property and free from trust, and the Fiduciary will thereupon be released and discharged with respect thereto and the Bondholders will look only to the City for the payment of such Bonds; provided, however, that before being required to make any such payment to the City and the Fiduciary will, at the expense of the City, cause to be mailed to the Owner of each unpaid Bond, at the address of such Owner as set forth on the Bond register maintained by the Trustee, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date will not be less than 45 days after the date of the mailing of such notice, the balance of such moneys then unclaimed will be returned to the City.

AIR CARRIER USE AGREEMENTS AND CARGO LEASES

The following is a summary of certain provisions of the Airline Use Agreements (the "Use Agreements") and certain other Cargo Leases (the "Cargo Leases") and is qualified in its entirety by references to such documents. These summaries do not purport to set forth all of the provisions of the Use Agreements and Cargo Leases and reference is made to the Use Agreements and Cargo Leases for their complete and actual terms. See "TWA Reorganizations, Asset Sale and the Air Carrier Agreements" herein.

General

The principal certificated air carriers ("Certificated Airlines") and the City originally entered into commercial airlines/airport use agreements as of August 1, 1965 ("Use Agreements"). The Use Agreements were amended for each of the Certificated Airlines in 1975 and 1977. A Third Amendatory Agreement was executed by each of the Certificated Airlines in 1981. There were eight Certificated Airlines that were parties to the Third Amendatory Agreement (American, Delta, Eastern, Northwest, Continental, TWA, US Airways (formerly USAir) and Ozark). The TWA Third Amendatory Agreement differs from those of the other Certificated Airlines in that it provides for the lease by TWA of the Concourse C extension at a rental rate determined separately from the rental rate for existing concourse space, but uses the same methodology. The TWA Third Amendatory Agreement and all Use Agreements between the City and TWA were assigned to a subsidiary of American Airlines, Inc. ("AMR Sub") in connection with AMR Sub's acquisition of TWA's assets. Use Agreements with the same terms and conditions have subsequently been executed by America West, Chautauqua Airlines (d/b/a Trans World Express), Southwest Airlines, Trans States Airlines (d/b/a Trans World Express), and United Airlines.

The City entered into a Fourth Amendatory Agreement for Concourse Addition and Improvements (the "Fourth Amendatory Agreement") with Ozark in 1983 pursuant to which Ozark leased Concourse D at the Airport. TWA, and then AMR Sub, succeeded to Ozark's obligations under the Fourth Amendatory Agreement. AMR Sub succeeded to its obligations arising on or after April 9, 2001. The contract rate for this space is determined separately from the rental rate for other concourse space, but uses the same rate methodology. In addition, AMR Sub is obligated to reimburse the City for the cost of certain tenant improvements on Concourse D (specifically, loading bridges and baggage conveyance equipment). Such reimbursement is in the form of a tenant improvement surcharge based on depreciation and interest costs related to the City's investment in these improvements.

In 1995, the City entered into a First Southwest Airlines Co. Amendatory Agreement relating to East Terminal Expansion, whereby Southwest leases, on a preferential use basis, the twelve gates and the majority of the airline ticketing, office, baggage make-up and operations space which will be available as part of the East Terminal Expansion.

In 1998, the City entered into a Second Amendatory Agreement (the "Second Southwest Agreement") with Southwest which provided that (i) the scope and estimated cost of the expansion of the East Terminal had changed significantly as a result of certain design changes, (ii) the City would provide additional City-constructed tenant improvements and (iii) changed the methodology for calculating rentals for the East Terminal Building.

The Second Southwest Agreement provides that Southwest is required to pay a rental rate per square foot which includes operation and maintenance expenses, annual amortization of airport revenue bonds issued to finance the East Terminal and annual amortization of moneys expended from the Airport Development Fund.

In early 2001, the City entered into an Amendatory Agreement Regarding Rates and Charges Procedures with the Certificated Airlines ("Use Amendment 2000") for the purpose of (i) clarifying and consolidating the rates and charges provisions of the Use Agreements, (ii) changing the rates and charges adjustment process from a calendar year basis to a City Fiscal Year basis and (iii) changing the method of recovery of the costs of capital improvements from 'depreciation plus interest' to charges to 'amortization' charges.

Separate cargo leases were executed with six Certificated Airlines: American, Delta, Republic (Republic's obligations under its cargo lease were assumed by Northwest Airlines), Eastern (Eastern's obligations under its cargo lease were assumed by TWA), TWA and US Airways as authorized by the City in 1981, and in 1991 with Southwest.

TWA Reorganizations, Asset Sale and the Air Carrier Agreements

On January 31, 1992, TWA filed for protection under Chapter 11 of the United States Bankruptcy Code. On August 12, 1993, the Bankruptcy Court for the District of Delaware entered an order confirming the Plan of Reorganization of TWA ("First Reorganization Plan"). Under the confirmation order, TWA assumed the 1965 Airport Use Agreement, Cargo Leases, Hangar/Office Building Lease and several other related leases and space permits between the City and TWA. The First Reorganization Plan provided for the City's purchase of all of TWA's leasehold interests and improvements, and related real and personal property at or near the Airport for a purchase price of approximately $70 million. In addition, the First Reorganization Plan provided for the amendment ("Use Amendment 1993") of the 1965 Airport Use Agreement to give the City the right to take back underutilized facilities. On November 3, 1993, TWA's First Reorganization Plan became effective. The closing of the purchase transaction was held on December 14, 1993.

A number of leases and agreements with the City were affirmed and amended by TWA under its First Reorganization Plan of Reorganization. TWA executed agreements and amendments to a number of leases, licenses and agreements as described in this Section, and listed below:

Use Agreement

Use Amendment 1993 and its First Amendment

Cargo Leases

Cargo Use Amendment and its First Amendment

Hangar/Office Building Lease and Use Amendment 1993

Flight Training Center Lease (new agreement)

Equipment Operating Lease and its First Amendment (new agreements)

On June 30, 1995, TWA filed a second petition for protection under Chapter 11 of the United States Bankruptcy Code. On August 23, 1995, the Missouri Bankruptcy Court's order confirming the Plan of Reorganization of TWA ("Second Reorganization Plan") became effective. All of TWA's leases, licenses and agreements with the City were assumed by TWA in the Second Reorganization Plan.

On January 10, 2001, TWA filed its petition for reorganization under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") and filed with the petition a motion for authority to sell substantially all of its assets to American Airlines, Inc. ("American") or its designees, including AMR Corp. ("AMR"), the parent company of American. In connection with the sale, TWA assumed and assigned to a newly created subsidiary of American ("AMR Sub") TWA's obligations under the TWA Use Agreement and Cargo Lease with the City (the "AMR Sub Use Agreement" and the "AMR Sub Cargo Lease," respectively). TWA also assumed and assigned to AMR Sub the contract with its regional affiliate, Trans World Express.

Use Agreements

Purpose. The Use Agreements grant the air carriers that are signatory to any of the Use Agreements (the "Signatory Airlines") the specified exclusive and non-exclusive uses of the airfield, the terminal building, the concourses and related facilities for the business of air transportation with respect to persons, property, cargo and mail. Certain provisions of the Use Agreements are described below.

Term. Each of the Use Agreements expires on December 31, 2005, unless earlier terminated or extended in accordance with their respective terms.

Calculation of Use Agreement Revenues. The Certificated Airlines have agreed to pay the following amounts in consideration of the use of the Airport by such Certificated Airlines and the agreement by the City to make certain capital improvements thereto and provide maintenance of Airport facilities:

(1) Landing Fees. Landing fees are payable monthly in an amount equal to an agreed upon price per one thousand pounds of maximum approved aircraft landing weight for all revenue landings at the Airport. Prior to each Airport Fiscal Year, the City determines the Airport's budgeted expenses for the airfield and subtracts its budgeted revenue for airline landing fees for airlines that are not Signatory Airlines (the "Non-Signatory Airlines"), fuel flowage fees and field use fees. This amount is then divided by the total estimated landing weights of the

Signatory Airlines for the ensuing Airport Fiscal Year. The result is the landing fee charged to the Signatory Airlines for the ensuing Airport Fiscal Year. The landing fee rate for Non-Signatory Airlines is set at 125% of the rate assessed to Signatory Airlines.

After the Airport Fiscal Year has concluded, the actual expenses for the airfield are calculated and are subsequently adjusted by subtracting the actual revenue from airline landing fees charged to the Non-Signatory Airlines, fuel flowage fees and field use fees. The adjusted amount is then divided by the actual landed weights to determine the actual landing fee rate for that Airport Fiscal Year. The Signatory Airlines are then assessed or reimbursed for deficiencies or excesses over a six-month period.

(2) Terminal Buildings and Concourse Rentals.

Main Terminal Building. Main Terminal building and concourse rentals are payable monthly at an agreed upon rate per square foot of terminal and concourse space made available for the exclusive or common use of each Certificated Airline. The rental rate is calculated pursuant to a formula that takes into account the costs of each cost center by adding together the following amounts: (i) certain maintenance and operating expenses, amortization of equipment purchases, amortization of the net cost of certain capital improvements, depreciation and interest charges and deferred maintenance charges. Costs and expenses allocable to the Main Terminal building but not assignable to any particular terminal cost center are to be allocated among the terminal cost centers based on gross space. The annual rental rate for each cost center other than the federal inspection area and certain international gates will be calculated by dividing the costs allocable to such cost center by the gross space in the particular cost center. The rental rate is also adjusted for each rate period to reflect deficiencies or excesses that occurred during the preceding rate period.

East Terminal Building. The rental rate for the East Terminal building is based on a rental rate per square foot which includes operation and maintenance expenses, annual amortization of airport revenue bonds issued to finance the East Terminal building and annual amortization of moneys expended from the Airport Development Fund.

(3) Miscellaneous. The City receives rent for the use by the Certificated Airlines of the airline employee parking lots. The City also charges the Certificated Airlines for certain utilities and for the reimbursement of tenant improvements financed by the City.

Maintenance of Airport Facilities. The City is generally obligated to operate, maintain and keep in repair the landing area and those portions of the terminal building, concourses and other structures that are not, by contract, the responsibility of the airlines for their operation, maintenance and repair.

Airfield Improvement and Terminal Expansion and Improvement Program. Capital expenditures by the City affecting the terminal building and concourse rental rates for the Airport require the prior approval of a majority-in-interest ("MII") of the scheduled Certificated Airlines (defined as Certificated Airlines that had more than 50% of the aggregate revenue aircraft weight that landed during the preceding year, but in no event less than 50% of the number of Certificated Airlines that are parties to the Use Agreements), unless the capital expenditure is (i) required by an appropriate federal or state agency, (ii) of an emergency nature, or (iii) in an amount less than $100,000 for any single item and the aggregate thereof does not exceed $500,000 in any rate adjustment period (such amounts to be adjusted for inflation). Failure to receive approval precludes use of said expenditures in the calculation of rental rates. The City is not required to obtain MII approval for terminal and concourse projects if the recovery of the project costs is not included in terminal and concourse rental rates.

Capital expenditures in the airfield area (with the exception of the Airport's existing noise mitigation program) that in the aggregate increase landing fees by more than two cents per thousand pounds of maximum approved landing weight in any calendar year require the prior approval of a MII, unless the capital expenditure is (i) required by an appropriate federal or state agency, (ii) of an emergency nature, (iii) the subject of a final judgment rendered by a court of competent jurisdiction, or (iv) financially self-sustaining and as such will not increase landing fees payable by the scheduled airlines. Failure to receive approval precludes the inclusion of costs associated with such expenditures in the calculation of landing fees payable by the scheduled airlines.

Damage or Destruction. The City is obligated to repair or replace with due diligence Airport facilities occupied or used by the Certificated Airlines that are damaged by fire, the elements, public enemy or other casualty, but not rendered untenantable. If the damage renders such facility untenantable and not capable of being repaired within thirty days, the facility may, at the City's option, be repaired by the City or abandoned, provided that the City furnishes replacement facilities if required by the Certificated Airlines. In any event, each Certificated Airline is entitled to rent abatement for any period in which any facility occupied or used by it is untenantable or unusable.

Cancellation by City. Provision is made for the City to cancel the Use Agreement to which any Certificated Airline is a party by giving sixty days' advance written notice upon or after the happening of any of the following events:

(1) such Certificated Airline files a voluntary bankruptcy petition or is adjudicated bankrupt;

(2) a court takes jurisdiction of the Certificated Airline and its assets pursuant to proceedings under any Federal reorganization act;

(3) a receiver is appointed for any of such Certificated Airline's assets;

(4) such Certificated Airline's interest in the Use Agreement is divested by operation of law;

(5) such Certificated Airline abandons the conduct of air transportation at the airport; or

(6) such Certificated Airline defaults in the performance of any of its covenants or obligations under the Use Agreement and such default continues for sixty days.

The City does not have the right to cancel a Use Agreement for the failure or refusal by a Certificated Airline to pay any fees, rentals or charges, if within thirty days of nonpayment, such Certificated Airline gives written notice to the City that such failure or refusal is in good faith predicated upon either (i) any provision of the Use Agreements that grants such Certificated Airline a reduction in or abatement of fees or rentals, or (ii) the performance by the Certificated Airline of obligations of the City if the Use Agreement provides that the Certificated Airline will be entitled to deduct from fees and rentals otherwise owing by it the reasonable cost of such performance.

Cancellation by Certificated Airline. Prior to the stated expiration date of a Use Agreement, and so long as the Certificated Airline is not in default in its payments to the City thereunder, each Certificated Airline has the right to cancel the Use Agreement to which it is a party, in whole or only insofar as it relates to the terminal building or certain other buildings, and terminate all or any of its obligations thereunder by giving the City sixty days advance written notice upon or after the happening of any of the following events:

(1) the Federal Aviation Administration fails or refuses to permit such Certificated Airline to operate into or from the Airport with any type of aircraft that such Certificated Airline may reasonably desire to operate into or from the Airport;

(2) the termination of such Certificated Airline's obligation or right to carry the United States mail or passengers to, from or through the St. Louis metropolitan area or its environs;

(3) the designation of any other airport in substitution for the Airport, the failure or refusal to designate the Airport, or the withdrawal of designation of the Airport by the United States Postal Service or any other competent government authority as a terminal point for the St. Louis metropolitan area and its environs for the receiving and dispatching of the United States air mail;

(4) the issuance of an injunction in any way preventing or restraining the use of the Airport or any part thereof for airport purposes if such injunction remains in force for at least ninety days;

(5) the inability of such Certificated Airline to use the Airport for a period in excess of ninety days by reason of any law, any act of governmental authority, acts of God or the public enemy;

(6) the default by the City with respect to the performance of its covenants in the Use Agreements if such default continues to be unremedied for a period of sixty days after receipt of written notice thereof; or

(7) the assumption by the United States Government or any agency thereof of the operation, control or use of the Airport so as to substantially restrict such Certificated Airline's use thereof for a period of at least ninety days.

Suspension and Abatement. If the City's operation of the Airport or any Certificated Airline's operation at the Airport is restricted substantially by action of the federal, state or local government, or any agency thereof, then the City or such Certificated Airline has the right, upon written notice to the other party, to a suspension of such carrier's Use Agreement and an abatement of a just proportion of (i) the services and facilities to be afforded to such carrier and (ii) the payments to become due under the Use Agreement.

Assignment and Subletting. The Certificated Airlines may not assign their rights under the Use Agreements or sublet any of the leased premises without the written consent of the City, which consent may not be unreasonably withheld. No such consent is required in the case of an assignment by a Certificated Airline of its rights under a Use Agreement to any corporation with which such Certificated Airline may merge or consolidate, or that may succeed to the business of such Certificated Airline.

Use Amendment 1993 and its First Amendment

TWA and the City executed Use Amendment 1993 which amended the terms of TWA's original Use Agreement. The Use Amendment 1993 provides that:

(1) The 57 gates and terminal support facilities that TWA's successor, AMR Sub, is currently using at the Airport are subject, under certain circumstances, to reassignment by the City. So long as AMR Sub has, during any term of the Use Amendment 1993, an average of not less than 190 regularly scheduled daily departures (including flights of airlines affiliated with AMR Sub through

merger, consolidation, joint venture, code-sharing and other successors and assigns, but not including any commuter carriers), which is an average of 3.33 daily regularly scheduled flight departures per gate, it will have the right to use all 57 gates and all of its terminal support facilities. If during any month, AMR Sub has an average of less than 190 regularly scheduled daily flight departures or maintains less than 3.33 regularly scheduled daily flight departures per gate, the City has the right to redesignate gates and terminal support facilities to other airlines so that AMR Sub would retain use of only that number of gates resulting in an average of 3.33 regularly scheduled daily flight departures per gate.

(2) The term is month-to-month with automatic renewals through December 31, 2005, unless the City exercises the right to cancel due to one of the following conditions:

(a) Non-payment of rentals, fees, charges or other moneys due to the City from AMR Sub thirty days after notice from the City that such amounts are due and payable; or

(b) Total cessation of AMR Sub's air passenger operations at the Airport governed by Use Amendment 1993 for a period of more than twenty days, unless due to acts or omissions of the City, labor strikes, lockouts, fire or other casualty, governmental action, weather, acts of God or other force majeure occurrences.

(3) In the case of any AMR Sub default other than those set forth above, the City may cancel only after written notice of default to AMR Sub and a thirty day cure period, or if such cure will reasonably require more than thirty days to complete, and AMR Sub will have failed to commence such cure within thirty days and completed such cure within a reasonable time, and then only pursuant to the statutes and laws of the State of Missouri.

(4) Under Use Amendment 1993, AMR Sub is required to pay to the City (a) each and every rent, fee and charge previously payable under the Use Agreement and (b) an asset use charge of approximately $652,000 per month for the use of certain assets formerly owned by TWA and sold to the City.

(5) AMR Sub may designate its use of gates and terminal support facilities to other airlines affiliated with AMR Sub through merger, consolidation, joint venture, code-sharing arrangements and other successors and assigns, so long as (a) AMR Sub's hub operation at the Airport is not materially changed and (b) such designated uses are subject to the Use Amendment 1993. AMR Sub will not permit any non-affiliated airline to use the gates or terminal support facilities without written permission of the City.

Cargo Leases

Purpose. The Cargo Leases granted the Certificated Airlines the right to use air cargo facilities constructed by the Airport in connection with their air transportation businesses. AMR Sub's Cargo Leases were substantially modified by the Cargo Use Amendment as described below.

Term. The term of each Cargo Lease terminates as of December 31, 2005, unless earlier terminated or extended in accordance with the terms of such Cargo Lease.

Rent. The monthly rentals to be paid under the Cargo Leases are composed of three elements:

(1) Ground Rental - a pro rata share of the ground cost, including land rent, maintenance expense, depreciation and interest expense.

(2) Facilities Rental - a pro rata share of the building cost, including maintenance, depreciation, interest expense and deferred maintenance.

(3) Tenant Improvements Rental Surcharge - a pro rata share of tenant improvements, including depreciation and interest expense.

Maintenance of Cargo Buildings. The City is responsible for the structural maintenance of the cargo buildings and the maintenance of all commonly used roadways, automobile parking lots, utility lines, sewer lines, exterior lighting and perimeter fencing. The Certificated Airlines are responsible for the maintenance of the interior premises and all utilities. The Certificated Airlines are also responsible for all taxes and insurance coverage, other than insurance for fire and extended coverage, vandalism and malicious mischief, which are maintained by the City.

Cancellation by City. In the event of a Certificated Airline's default under its Cargo Lease and the expiration of the applicable cure period, the City may elect to terminate the Certificated Airline's rights under the Cargo Lease and re-enter and take possession of the leased premises, without prejudice to any rights the City may have to enforce such Certificated Airline's obligations under the Cargo Lease. In addition, provision is made for the City to terminate the Cargo Lease if the Certificated Airline files a petition in bankruptcy or is adjudged bankrupt or insolvent, if a receiver of the Certificated Airline's interest in the leased premises is appointed, if the Certificated Airline makes an assignment for the benefit of its creditors or if any proceedings are commenced to foreclose any mortgage or other lien on the Certificated Airline's property and such proceedings are not vacated, dismissed or stayed within sixty days of such filings.

Cancellation by Certificated Airline. A Certificated Airline may, at any time, cancel its Cargo Lease and terminate all or any of its obligations thereunder upon or after the happening of any one of the following events, so long as the Certificated Airline is not in default in the payment of any rental, fees or charges to the City thereunder and so long as the Certificated Airline gives the City sixty days prior written notice:

(1) Action by the Federal Aviation Administration that prevents the Certificated Airline from operating in or out of the Airport with aircraft for a period of at least ninety days;

(2) The issuance of an injunction in any way preventing or restraining for a period of at least ninety days the use of the leased premises so as to affect substantially the Certificated Airline's use of the Airport in its conduct of an air transportation system at the Airport; provided that such injunction is not due to any fault or action of the Certificated Airline or to the Certificated Airline's operation at the Airport;

(3) The suspension for more than ninety days or substantial modification or revocation of the operating authority of the Certificated Airline to service the City;

(4) A default by the City under the Cargo Lease if such default continues for a period of sixty days after receipt of written notice thereof;

(5) The assumption by the federal government or any agency thereof of the operation, control or use of the Airport or any substantial part thereof, so as to restrict substantially the Certificated Airline for a period of at least ninety days from operating its air transportation system.

Termination for Government Use. In the event of a taking, by condemnation or otherwise, of a Certificated Airline's leased premises or any material part thereof by the government, the City may elect to terminate the Cargo Lease. If such taking materially interferes with the Certificated Airline's use of the leased premises, which interference cannot be substantially remedied by furnishing substitute facilities, the Certificated Airline may elect to terminate the Cargo Lease.

Assignment and Subletting. The Certificated Airlines may not assign their rights under the Cargo Leases or sublet any of the leased premises without the written approval of the City. No such approval is required for an assignment by a Certificated Airline of its rights under its Cargo Lease to any corporation with which such Certificated Airline may merge or consolidate, or that may succeed to the business of such Certificated Airline. In addition, no such approval is required for any Certificated Airline to allow another party to use portions of its leased premises if such use is connected with service provided by the Certificated Airline to such other party.

AMR Sub's Cargo Use Amendment and its First Amendment

On November 4, 1993, TWA and the City executed a Cargo Use Amendment which adopted, amended and continued the terms of TWA's Cargo Leases. On December 14, 1993, TWA and the City executed the First Amendment to Cargo Use Amendment which specified the amount of the Asset Use Charge. AMR Sub, as assignee of TWA's interests and obligations arising after April 9, 2001, is now bound by the terms of the Cargo Lease and Cargo Use Amendments between the City and TWA. Some of the more significant amendatory provisions are as follows:

(1) The term is month-to-month with automatic renewals through December 31, 2005, subject to the City's right to cancel for any of the following reasons:

(a) The City may immediately cancel for (i) non-payment of rentals, fees, charges or other moneys due the City from AMR Sub thirty days after notice from the City that such amounts are due and payable, (ii) total cessation of AMR Sub's air passenger operations at the Airport under the Cargo Use Amendments for a period of more than twenty days, unless due to acts or omissions by the City, labor strikes, lockouts, fire or other casualty, governmental action, weather, acts of God or other *force majeure* occurrences and (iii) a default by AMR Sub under any other lease or use agreement.

(b) The City may otherwise cancel upon a default under the Cargo Lease or other principal agreement only after written notice of default to AMR Sub and a thirty day cure period, and then only pursuant to the statutes and laws of the State of Missouri.

(2) AMR Sub pays the City each month, in addition to all rents, fees and charges payable under the Cargo Lease, an Asset Use Charge of $7,698.11 per month.

AMR Sub's Hangar/Office Lease and Use Amendment 1993

The City and Ozark entered into a Lease Agreement for hangar/office facilities (Hangar/Office Lease) on July 8, 1963, which lease was assigned to TWA, and then to AMR Sub, with the consent of the City. The Hangar/Office Lease, which was twice amended, provided for the leasing of 26.494 acres of land upon which Ozark built an aircraft hangar and later constructed an office building addition. Ozark had two options to extend the term of the Hangar/Office Lease beyond November 12, 1992, by 12 years and 10 years, respectively, to an end date of November 12, 2014. The rent payable by AMR Sub to the City under the lease is $17,572 per month for the land. On December 14, 1994, TWA conveyed to the City title to the Hangar/Office Building and other improvements on the site, and TWA and the City executed the Hangar/Office Lease Use Amendment 1993 on substantially the same terms and conditions as described above, except that:

(1) The term is month-to-month with automatic renewals through December 31, 2005, unless the City exercises its right to cancel for (a) non-payment of rentals, fees, charges or other moneys due City from AMR Sub thirty days after notice from the City that such amounts are due and payable, or (b) total cessation of AMR Sub's air passenger operations at the Airport for a period of more than twenty days, unless due to acts or omissions of the City, labor strikes, lockouts, fire or other casualty, governmental action, weather, acts of God or other *force majeure* occurrences. In the case of any default other than nonpayment by AMR Sub the City may cancel the Hangar/Office Lease only after written notice of default to AMR Sub and a thirty day cure period, and then only pursuant to the statutes and laws of the State of Missouri.

(2) AMR Sub pays the City each month, in addition to all rents, fees and charges payable under the Hangar/Office Lease, an Asset Use Charge of $28,509.11 per month.

AMR Sub's Flight Training Center Lease

On December 14, 1993, the City and TWA executed the Flight Training Center Lease. The City also purchased TWA's fee interest in 7.38 acres of land located at 11495 Natural Bridge Road, Bridgeton, St. Louis County, Missouri, on which exists a four-story masonry and steel commercial building with a gross floor area of 165,550 sq. ft. This facility is now used by TWA's successor, AMR Sub, as a Flight Training Center and contains flight simulators for B-767 and L-1011 aircraft as well as classrooms and office space.

AMR Sub uses this Flight Training Center and has entered into an absolute net lease of the premises. AMR Sub pays all costs and expenses of every character, whether seen or unforeseen, ordinary or extraordinary, structural or non-structural, in connection with the use, operation, possession, storage, maintenance, repair and reconstruction of the premises, including taxes, utilities, insurance, maintenance and operating costs of any type on this property. In addition, AMR Sub pays to the City rent of $61,454.43 per month.

AMR Sub's Equipment Operating Lease and its First Amendment

On November 4, 1993, the City and TWA entered into an Equipment Operating Lease Agreement with the City as Lessor and TWA as Lessee. The City and TWA subsequently entered into the First Amendment to Equipment Operating Lease Agreement and Equipment Lease Supplements I through VII (collectively, the "Equipment Lease").

The City acquired certain equipment, personal property, furniture, machinery, vehicles, loading bridges, baggage handling systems, ground power systems, deicing systems, hold room seating, office furnishings, counters and millwork flight information display systems and communications installations, all motorized and non-motorized ramp and maintenance equipment and certain other personal property tangible or intangible (the "Equipment"). Pursuant to the Equipment Lease, the City leases the Equipment to TWA's successor, AMR Sub, under the following conditions.

Term. The term of the Equipment Lease commenced on November 4, 1993 and is a month-to-month lease and renews automatically for each calendar month thereafter beginning on December 1, 1993 through December 31, 2005, subject to earlier termination with respect to all or any of the Equipment leased by the City in accordance with the terms and conditions set forth in the Equipment Lease.

Redesignation of Use of Gate Equipment. In the event AMR Sub's use of the 57 gates identified in the Use Agreement 1993 is subject to redesignation to the use of another airline: (i) the City, in its discretion, may, but is not required to, terminate AMR Sub's right to use and/or possession of a proportionate amount of the gate equipment and to redesignate the use and possession thereof to such other airline(s) in accordance with and subject to the provisions of the Use Agreement 1993; and (ii) with respect to the outbound baggage system, in the event of redesignation of any gates and other terminal support facilities, AMR Sub will act as the coordinator of the operation of the outbound baggage system and such other redesignated carrier(s) will be entitled to joint use of the outbound baggage system subject to certain terms and conditions.

Rental Payments. AMR Sub pays to the City rents in the following manner: (i) AMR Sub pays to the City rent (Periodic Rent) for the use of the equipment for each month during the term of the Equipment Lease, each such payment to be in an amount equal to the sum of the periodic rent amounts set forth in the Equipment Lease supplements as adjusted from time to time as a result of the adjustment reflected by the Equipment Lease; and (ii) AMR Sub pays to the City any and all supplemental rent promptly as the same becomes due and owing, and if AMR Sub fails to pay any supplemental rent, the City has all rights, powers and remedies provided for in the Equipment Lease or by law or in equity or otherwise in the case of nonpayment of the Periodic Rent.

Events of Default. The following events will constitute events of default: (i) AMR Sub fails to pay when due Periodic Rent or supplemental rent or any other amounts payable pursuant to the Equipment Lease, and such failure continues for thirty days after written notice to AMR Sub from the City that such rent or payment was not paid when due; or (ii) AMR Sub fails to observe or perform any other obligation or covenant required to be observed or performed by AMR Sub under the Equipment Lease and such failure continues for more than thirty days after written notice thereof is received by AMR Sub from the City; or (iii) cessation of AMR Sub's air passenger operations at the Airport for a period of more than twenty days, unless due to acts or omissions of the City or labor strikes, lockouts, fire or other casualty, government action, weather, acts of God or other force majeure occurrences; or (iv) AMR Sub fails to comply with certain provisions of the Use Amendment 1993 within thirty days after notice of any failure to comply; or (v) AMR Sub is in default or an event of default has occurred under any of the Purchase Transaction Agreements or any payment default under any agreements between the City and TWA subsequently assigned to AMR Sub, which default or event of default has not been cured within thirty days of notice by the City to AMR Sub.

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APPENDIX C

FINANCIAL FEASIBILITY REPORT

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UNISON
MAXIMUS
CONSULTING SOLUTIONS

December 11, 2002

Colonel Leonard L. Griggs, Jr.
Director of Airports
Lambert-St. Louis International Airport
Post Office Box 10212
St. Louis, MO 63145

Re: The City of St. Louis, Missouri, Airport Revenue Bonds, Series 2002A (Capital Improvement Program) (NON-AMT), The City of St. Louis, Missouri Airport Revenue Bonds, Series 2002B (Capital Improvement Program) (AMT), and The City of St. Louis, Missouri Airport Revenue Refunding Bonds, Series 2002 C (AMT)

Dear Colonel Griggs:

Unison-Maximus, Inc. is pleased to submit this Financial Feasibility Report (the Report) in connection with the issuance of the City of St. Louis, Missouri, Airport Revenue Bonds, Series 2002A (Capital Improvement Program) (NON-AMT), The City of St. Louis, Missouri Airport Revenue Bonds, Series 2002B (Capital Improvement Program) (AMT), and The City of St. Louis, Missouri Airport Revenue Refunding Bonds, Series 2002C (AMT) (collectively the 2002 Bonds) in the approximate par amount of $118.0 million. The 2002 Bonds are being issued in three series: Series 2002A and Series 2002B in the aggregate amount of $101.0 million to fund a portion of the FY 2002–FY 2006 capital improvement program at Lambert-St. Louis International Airport (the Airport) (collectively, the 2002 CIP Bonds), and Series 2002C (the 2002 Refunding Bonds) in the amount of $17.0 million to refund all of the City's Airport Revenue Refunding and Improvement Bonds, Series 1992.

The Airport is owned by the City and operated by the City of St. Louis Airport Authority (the Authority), an agency of the City. The Airport is the principal air carrier airport serving the St. Louis metropolitan area, a region with a population of approximately 2.6 million in 2001. In Fiscal Year 2002,[1] 12.6 million passengers were enplaned at the Airport, of which 5.8 million (46%) were originating passengers and 6.8 million (54%) were connecting passengers. The Airport is a "system hub" in the route system of American Airlines (American) as it was for Trans World Airlines (TWA) in prior years.

On April 9, 2001 TWA sold all of its assets to a wholly owned subsidiary of American Airlines Inc. (AMR Sub). In connection with the sale, TWA assumed and assigned to AMR Sub all agreements and leases between TWA and the City and beginning in December 2001, substantially integrated all former TWA operations into American.

[1] The City's fiscal year begins July 1 and ends the following June 30.

In a letter to the City dated March 28, 2001, American expressed its intent "to continue operating a system hub at the Lambert-St. Louis International Airport...[including] plans to accept TWA's facility lease at the Airport. American further indicated that it "does not anticipate any disruption to TWA operations and customers in St. Louis" as a result of the acquisition.

In Fiscal Year 2001, TWA, together with its regional affiliate, TWA Express, accounted for 11.4 million enplanements at the Airport—75% of the Airport total. In FY 2002, American, together with its regional affiliate, accounted for 9.7 million passenger enplanements at the Airport—76% of the Airport total. The Airport is also a major station in the route system of Southwest Airlines. In FY 2002, Southwest accounted for 12% of total Airport enplanements.

On September 11, 2001 terrorists seized control of four U.S. commercial passenger flights crashing two aircraft into the World Trade Center in New York City, one aircraft into the Pentagon in Arlington, Virginia and one aircraft in Somerset, Pennsylvania (the September 11, 2001 Events). In response to these catastrophic events, the Federal Aviation Administration (the FAA) ordered the complete shutdown of the U.S. aviation system for a period of two days. The Airport re-opened on September 13, 2001, but with significantly lower traffic levels. Thereafter, air service levels were gradually restored, but passenger traffic remained well below FY 2001 levels, as indicated in the following table:

Percentage Change in Monthly Passenger Enplanements
Fiscal Year 2002 vs. 2001

Month	Airport (STL)	Total U.S.
July 2001	-3.5%	-0.0%
August 2001	-10.1%	+2.9%
September 2001	-44.4%	-33.3%
October 2001	-28.7%	-22.7%
November 2001	-22.6%	-19.2%
December 2001	-16.7%	-13.5%
January 2002	-14.4%	-14.6%
February 2002	-7.9%	-11.6%
March 2002	-12.9	-9.8%
April 2002	-10.4%	-12.9%
May 2002	-7.8%	-10.3%
June 2002	-9.6%	-10.4%
FY 2002 Totals	-15.7%	-12.5%

During the first three months of FY 2003 (July – September), passenger traffic at the Airport increased 0.3% from the same period in FY 2002. The following is a monthly summary of the changes at the Airport compared with the aggregate changes for all U.S. airports.

Percentage Change in Monthly Passenger Enplanements
Fiscal Year 2003 versus 2002

Month	Airport (STL)	Total U.S.
July 2002	-12.5	-10.3
August 2002	-11.3	-10.2
September 2002	+36.8	+28.4

The declines in passenger traffic at the Airport in FY 2002 reflect the response of American and the other airlines to the September 11, 2001 Events, but also reflect decisions by American to adjust service levels at the Airport in the face of the current national economic slowdown and to move toward more profitable performance of the St. Louis hub. American recently announced additional plans to reduce further its systemwide capacity—a move that is likely to have some adverse effect on service levels and passenger traffic at the Airport. However, cutbacks on specific routes and at specific airports have not yet been announced. In general, American plans to reduce jet service but, to the extent possible, increase regional jet service on routes to small and medium size cities at its hub airports.

The September 11, 2001 Events appear to have altered consumer travel choices and reduced demand for air travel—particularly among high-yield business travelers. These post-September 11th trends have been exacerbated by the current national economic slowdown and decisions by American to rationalize its route system at the St. Louis hub. These factors suggest that there exists today greater uncertainty regarding future trends of passenger traffic at the Airport than was the case prior to the September 11, 2001 Events.

To address the uncertainty in air travel demand, Section IV of this report presents three sets of airport activity forecasts: Base Case, Sensitivity-High Case, and Sensitivity-Low Case. The Base Case reflects a conservative forecast that assumes a permanent downward shift in air travel demand and permanent cuts in airline service due to the September 11, 2001 Events. From post-September 11 depressed levels, enplanements would grow at moderate rates throughout the forecast period. The Sensitivity-High Case also considers the downward shift in travel demand and cuts in airline service after the September 11, 2001 Events. However, the Sensitivity-High Case assumes that the effects of the September 11, 2001 Events are transitory: demand would recover and return to FY 2001 levels by FY 2006. The Sensitivity-Low Case assumes that American would further cut air carrier service by 20% effective January 2003, in addition to significant cuts that have been implemented since September 11, 2001 and have been reflected under the Base Case and the Sensitivity-High Case. Based on current information we do not believe that the Sensitivity-Low Case is a likely scenario.

The City is in the process of implementing an Airport Development Program (the ADP). The principal element of Phase 1 of the ADP is the development of a new air carrier runway (Runway 12R/30L) to the southwest of the existing airfield at the Airport. The new runway will allow the Airport to accommodate dual independent aircraft arrivals during instrument flight rule (IFR or bad weather) conditions, thereby substantially increasing airport capacity. Various studies indicate that the project will generate substantial projected benefits by reducing air traffic delays—both at the Airport and in the national air transportation system. In September 1998, the FAA filed its Record of Decision regarding the environmental impact statement for the ADP, the final step in the environmental approval process for the program. In November 1998, the FAA, evidencing its support of the ADP, issued a Letter of Intent to provide the City with $141.4 million of grants-in-aid for the project under the Airport Improvement Program (the AIP) over the 10-year period, Federal Fiscal Year (FFY) 1999 through FFY 2008.

The total estimated cost of Phase 1 of the ADP is $1.1 billion. The City has financed Phase 1 of the ADP from a variety of funding sources, including (1) the proceeds of the outstanding *"$435,185,000 City of St. Louis, Missouri, Airport Revenue Bonds, Series 2001A (Airport Development Program)"* (the 2001A ADP Bonds), (2) the proceeds of the outstanding *"$87,165,000 City of St. Louis, Missouri, Letter of Intent Double Barrel Revenue Bonds, Series 2000"* (the 2000 LOI Bonds), (3) moneys appropriated from the City's Airport Development Fund (ADF), (4) AIP grants-in-aid, including the $141 million Letter of Intent, (5) grants-in-aid under the Federal Highway Administration's highway grant program (FHWA), and (6) passenger facility charge (PFC) resources.[2] The City intends to refund the 2000 LOI Bonds and is currently evaluating the timing to occur during the first calendar quarter of 2003 in order to take advantage of the lower bond interest rates and to provide additional resources to the ADF through the elimination of the LOI Contingency Fund, which secures the 2000 LOI Bonds. The structure contemplated will result in the conversion of the existing subordinate bond debt to a general airport revenue bond (GARB). However, sufficient capitalized interest will be provided in order to defer costs of this refunding until after completion of the runway, which is scheduled for the first calendar quarter of 2006.

The City also prepares a rolling five-year capital improvement program (the 5-Year CIP). The current 5-Year CIP addresses the period, FY 2002-FY 2006. The 2002 CIP Bonds are being issued to finance projects programmed for FY 2003 and FY 2004 in the current CIP.

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[2] The plan of financing for Phase 1 of the ADP indicates that all of the remaining funding requirements of the program can be met with the proceeds of the 2001A ADP Bonds together with currently approved PFC, LOI, and FHWA resources, moneys in the ADF, and PFC resources anticipated under the pending PFC amendments, except for $78 million currently budgeted as a "program contingency" which has not yet been financed. The issuance of additional GARBs may be required to fund all or a portion of the program contingency and any other unanticipated increases in other ADP program costs.

The 2002 Bonds are being issued pursuant to the Amended and Restated Indenture of Trust dated September 10, 1997, as amended by the Seventh Supplemental Indenture of Trust dated December 1, 1998, the Eighth Supplemental Indenture of Trust dated as of May 1, 2001 and the Ninth Supplemental Indenture of Trust dated as of December 1, 2002 (collectively, the Indenture). The 2002 Bonds are limited obligations of the City secured by and payable solely from (1) GARB Revenues (as defined in the Indenture) and (2) Pledged PFC Revenues (as defined in the Indenture) (collectively, the Revenues).[3]

The 2002 CIP Bonds are Additional Bonds under the Indenture. Additionally, due to the planned refunding of the 2000 LOI Bonds, the debt service on the 2003 LOI Refunding Bonds (2003 Refunding Bonds) is included as a part of the aggregate debt service for fiscal years 2006 through 2008 to satisfy the requirement of the Additional Bonds Test. As a condition for the issuance of Additional Bonds, the Indenture requires that the following items be prepared and delivered:

> A certificate of the Airport Consultant setting forth for each of the three Airport Fiscal Years following the Airport Fiscal Year in which the Consulting Engineers estimate the Project or any such Additional Project will be completed, estimates of (a) Net Revenues and (b) amounts to be deposited from Revenues into the Debt Service Reserve Account, the Renewal and Replacement Fund, and the Development Fund; and
>
> A certificate of an Authorized Officer of the City setting forth (a) the estimates of Net Revenues, as set forth in the certificate of the Airport Consultant..., (b) the estimates of the amounts to be deposited in certain funds and accounts from Revenues as set forth in the certificate of the Airport Consultant..., and (c) the Aggregate Adjusted Debt Service, determined after giving effect to the issuance of such Additional Bonds and including the Aggregate Debt Service...with respect to future Series of Bonds, if any, [estimated to be] required to complete payment of the Cost of Construction of the Project..., and demonstrating that the estimated Net Revenues in each of the Airport Fiscal Years set forth in (a) above is at least equal to 1.25 times Aggregate Adjusted Debt Service for the corresponding Airport Fiscal Year...

This provision is referred to as the Additional Bonds Test. This report has been prepared in part to assist the City in complying with the provisions of the Additional Bonds Test.

The City has entered into airport use agreements (Use Agreements) with all of the major airlines currently serving the Airport. The term of the Use Agreements extends to December 31, 2005. The existing Use Agreements provide for a "compensatory" approach to setting terminal building rental rates and a "cost center residual" approach to setting landing fee rates. Those projects

[3] Revenues are also defined to include "...any other available moneys deposited with the Trustee for deposit in the Revenue Fund".

being financed with the 2002 CIP Bonds that require Majority-In-Interest airline approval (MII Approval) have received MII Approval.

Most of the costs of Phase 1 of the ADP are allocable to the Airfield. Phase 1 of the ADP has not been submitted to the airlines for MII Approval under the procedures of the Use Agreements. Without MII Approval, the City cannot include any costs related to the project in the airline rate base until after the Use Agreements expire on December 31, 2005. However, the project is not scheduled for completion until early 2006, after the expiration of the term of the existing Use Agreements. The City intends that all costs related to the 2001A ADP Bonds through Fiscal Year 2006 will be either capitalized from proceeds of the 2001A ADP Bonds or paid from Passenger Facility Charges (PFC) or airport revenues. Accordingly, no such costs will be charged to the airline rate base prior to the project's completion and expiration of the term of the existing Use Agreements.

The City intends to negotiate new use and lease agreements with the airlines serving the Airport prior to the expiration of the existing Use Agreements. However, no decisions have been made by the City regarding rate-making methods or other business issues that will be addressed in those negotiations, with the exception of the requirement that costs associated with various completed CIP projects and Phase 1 of the ADP will be included in future rates and charges. According to the City's legal counsel, in the absence of new Use Agreements the City has the authority to establish, charge and collect Airport rates and charges by ordinance.

Although the existing Use Agreements at the Airport expire on December 31, 2005, *the financial forecasts presented in this report—which extend to FY 2008--are based on the methodology for calculating airline rates and charges set forth in the Use Agreements.*

Our report is organized into the following sections:

Section I	**Introduction** – An overview of Phase 1 of the Airport Development Program and the FY 2002-FY 2006 CIP and background information regarding the Airport, Airport governance, and other ongoing Airport capital programs.
Section II	**Plan of Financing** – A detailed discussion of the plan of financing for the current 5-Year CIP and Phase 1 of the Airport Development Program.
Section III	**The Economic Base of the Airport** – A discussion of the demographic and economic characteristics of the Airport's service area in order to assess the potential for future growth in local (O&D) passenger demand.

Section IV **Analysis and Forecast of Aviation Activity** – A discussion of recent trends in air traffic activity and forecasts of future air traffic demand at the Airport.

Section V **Financial Analysis** – A discussion of the framework for the operation of the Airport (including the Indenture and the Use Agreements), the sources of Revenues and the components of Operation and Maintenance Expenses, and the forecasts of Revenues, Operation and Maintenance Expenses, Net Revenues, the application of Revenues to the funds and accounts established by the Trust Indenture, and debt service coverage. Financial forecasts are presented under the Base Case traffic scenario outlined above and summarized for the Sensitivity Cases.

Major Assumptions Utilized

The Report is based on the following major assumptions:

1. The City will implement the current 5-Year CIP as currently planned and project budgets and schedules will be achieved as currently scheduled.

2. The City will accomplish Phase 1 of the ADP within the current budget of $1.1 billion.

3. The new runway will become operational in the first quarter of calendar year 2006.

4. American will continue to operate a system hub at the Airport throughout the forecast period.

5. The FAA will comply with the LOI and provide the City with the anticipated $141 million of AIP funding for Phase 1 of the ADP through Fiscal Year 2008.

6. After the expiration of the existing Use Agreements on December 31, 2005, the City will establish airline rates and charges (either under a successor agreement or by ordinance) to provide airlines revenues at least equal to those that would be generated under the existing Use Agreements.

Other important assumptions underlying the forecasts of air traffic activity, Revenues, and Operation and Maintenance Expenses are set forth in Sections IV and V.

Findings and Conclusions

The summary table on page 10 summarizes the principal findings of the financial forecasts for the Base Case and the two Sensitivity Cases (High and Low) addressed in this report.

Base Case – assumes the negative impact of September 11, 2001 Events would result in a permanent downward shift in air travel demand, comprising approximately a 20% reduction in scheduled departures. The future growth during the forecast period is based on the future expansion of the economy.

As indicated in the Report and the summary table for the Base Case in Section V, Revenues are forecast to be sufficient to pay Operation and Maintenance Expenses and meet all of the other funding requirements of the Indenture in each year of the forecast period, Fiscal Year 2003 through Fiscal Year 2008. As also indicated in the Report, Net Revenues are forecast to exceed 1.25 times Aggregate Adjusted Debt Service in the first three Airport Fiscal Years following the estimated date of completion of the last CIP project for Fiscal Year 2006–Fiscal Year 2008, thereby satisfying the Additional Bonds Test.

In addition, based on our knowledge of comparable airports and our experience in preparing similar studies and providing financial consulting services to a variety of airports, we believe the forecasted airline costs per enplaned passenger at the Airport are reasonable.

As indicated earlier, for the purposes of this Report it is assumed that the rates and charges methodology of the existing Use Agreements will continue throughout the forecast period (FY 2003 through FY 2008). In the event the City chooses to set rates by ordinance after the expiration of the existing Use Agreements on December 31, 2005, we believe the existing rates and charges methodology is consistent with applicable Federal guidelines regarding airport rates and charges.[4] Accordingly, we conclude it is feasible for the City to proceed with the issuance of the 2002 Bonds.

The table also summarizes financial projections for the High and Low Sensitivity Cases addressed in this Report in Section V and compares those projections with results from the Base Case.

Sensitivity-High - assumes that the negative demand following the September 11, 2001 Events is transitory, and demand would recover at a greater rate during the period FY 2003 through FY 2007, and return to normal growth levels beginning in FY 2008 and grow with an expansion of the economy.

[4] U. S. Department of Transportation, Policy Regarding Airport Rates and Charges ("Final Policy"), June 14, 1996.

Sensitivity-Low – assumes that American would initiate additional cuts in air carrier service at the Airport by 20% effective January 1, 2003. These cuts would be in addition to the post-September 11 service reductions reflected in the Base Case.

As indicated in the Report and on the summary table under the Sensitivity Cases, Revenues are forecast to be sufficient to pay Operation and Maintenance Expenses and meet all other funding requirements of the Indenture in each year of the forecast period, Fiscal Year 2003 through FY 2008, thus satisfying the requirements of the Additional Bonds Test.

The financial forecasts presented in this Report are based on information and assumptions that have been provided by Airport management, or developed by us and reviewed with and confirmed by Airport management. Based upon our review, we believe that the information is accurate and that the assumptions provide a reasonable basis for the forecasts. However, some variation from the forecasts is inevitable due to unforeseen events and circumstances, and these variations may be material. The Report should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

We appreciate the opportunity to assist the City on this important financing program for the Airport.

Sincerely,

UNISON-MAXIMUS, INC.

Table V-9
SENSITIVITY ANALYSIS - SUMMARY TABLE
Lambert St. Louis International Airport
For Fiscal years Ending June 30
(in thousands)

	2006			2007			2008		
	Base Case	Sensitivity High	Sensitivity Low	Base Case	Sensitivity High	Sensitivity Low	Base Case	Sensitivity High	Sensitivity Low
Airline Revenues	$84,182	$84,487	$83,788	$110,406	$110,922	$109,840	$111,849	$112,363	$111,282
Enplaned Passengers	13,204	15,278	11,437	13,470	15,985	11,693	13,740	16,307	11,927
Airline Cost per Passenger	$6.38	$5.53	$7.33	$8.20	$6.94	$9.39	$8.14	$6.89	$9.33
Signatory Landing Fee Rate	$2.44	$2.12	$2.79	$3.55	$3.01	$4.06	$3.53	$3.00	$4.04
Net Revenues	$88,312	$95,716	$82,664	$112,629	$122,022	$106,708	$112,888	$122,868	$106,594
Debt Service	56,616	56,616	56,616	75,676	75,676	75,676	75,960	75,960	75,960
Debt Service Coverage	1.56	1.69	1.46	1.49	1.61	1.41	1.49	1.62	1.40

LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
FINANCIAL ADVISORY SERVICES
Financial Feasibility Report

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December 11, 2002

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SECTION I
INTRODUCTION

The City of St. Louis (the City) has embarked on a capital improvement program to expand and improve the Lambert-St. Louis International Airport (the Airport). The program includes four principal components: (1) the ongoing Airport Development Program (the ADP), (2) the ongoing 1997 Bond Program, (3) the ongoing Part 150 Noise Mitigation Program, and (4) the new FY 2002-FY 2006 Capital Improvement Program (the FY 2002-FY 2006 CIP).[1]

This Report addresses the financial aspects of all of these ongoing and proposed capital programs and, in particular, the proposed issuance of the City of St. Louis, Missouri, Airport Revenue Bonds, Series 2002A (Capital Improvement Program) (NON-AMT), the City of St. Louis, Missouri Airport Revenue Bond, Series 2002B (Capital Improvement Program) (AMT), and The City of St. Louis, Missouri Airport Revenue Refunding Bonds, Series 2002C (AMT). These bonds are being issued in three series: Series 2002A and Series 2002B to fund a portion of the FY 2002-FY 2006 CIP (collectively the 2002 CIP Bonds), and the Series 2002C (the 2002 Refunding Bonds) to refund the City's Airport Revenue Refunding and Improvement Bonds, Series 1992. The 2002 CIP Bonds and the 2002 Refunding Bonds are collectively referred to as the 2002 Bonds. In addition, this Report addresses the anticipated issuance of additional bonds in 2004 (2004 Bonds) to cover the remaining portion of the FY 2002 - FY 2006 CIP.

The *FY 2002-FY 2006 CIP,* the City's current 5 year CIP for the Airport, includes a variety of airfield, terminal, security, parking and infrastructure projects. The total cost of the FY 2002-FY 2006 CIP is estimated to be $231 million. These projects are required to maintain existing facilities and infrastructure, implement initial security enhancements and provide certain capacity enhancements, particularly to airfield and terminal facilities. The City plans to finance a significant portion of the costs of the FY 2002-FY 2006 CIP with bonds. The 2002 CIP Bonds will be used to finance an estimated $91 million of projects planned for FY 2003 and FY 2004, while another $10 million of projects will be funded with the unused portion of The City of St. Louis, Missouri Airport Revenue Bonds, Series 1997 (1997 Capital Improvement Program) Lambert-St. Louis International Airport (1997 Bonds) now known as the (1997 Bond Carryover) for the FY 2002 projects. The 2004 Bonds will be used to finance an estimated $76 million of projects planned for the out-years of the CIP. The City also plans to use AIP grants-in-aid ($15 million), certain PFC resources ($25 million), and moneys available in the Airport Development Fund (ADF) ($14 million) to finance the balance of the project costs of the FY 2002-FY 2006 CIP.

This section briefly reviews existing Airport facilities and Airport governance, then reviews the status of the various ongoing capital improvement programs at the Airport, and concludes with a

[1] The City's fiscal year begins July 1 and ends the following June 30.

discussion of the FY 2002-FY 2006 CIP and the projects to be financed with the 2002 CIP Bonds.

A. AIRPORT FACILITIES

Located in St. Louis County approximately 15 miles northwest of downtown St. Louis, the Airport is situated approximately 10 miles from the population center of the St. Louis metropolitan area. The Airport currently is comprised of approximately 2,100 acres of land; upon completion of the land acquisition planned for Phase 1 of the ADP, the Airport will be comprised of approximately 3,600 acres of land, excluding noise abatement-related land acquisitions. The majority of the land acquisition will be completed by the opening of the runway during the first calendar quarter of 2006.

The Airport is currently classified by the FAA as a large hub airport—an airport that enplanes 1% or more of total passengers in the United States. In FY 2002, the Airport enplaned approximately 12.6 million passengers, which accounted for approximately 2.4% of total U.S. enplanements. The Airport Council International (ACI) for CY 2001 ranked the Airport as 18th nationwide and 28th worldwide in terms of total passengers, and 10th nationwide and 11th worldwide in terms of aircraft operations.[2]

The Airport currently has four runways and an extensive taxiway system. The largest commercial aircraft can use the primary runway, 12R-30L[3] without restrictions. The main east-west runways, Runways 12-30, the crosswind runway, and Runway 6-24 have sufficient length to handle most types of aircraft that currently serve the Airport. However, the 12-30 runways are situated too close together to permit independent arrivals in IFR conditions. The remaining runway 13-31 is used only by regional/commuter airline and general aviation aircraft. The Airport decommissioned Runway 17-35 during the summer of 2002.

The airfield has over 12 miles of 75-foot-wide concrete taxiways and four concrete holding pads. Eighty-eight acres of concrete apron provide space for aircraft parking, servicing and refueling by scheduled commercial air carriers, and another eighteen acres are leased to two fixed-base operators and used by general aviation aircraft.

Terminal facilities include the Main Terminal, the East Terminal, and the International Area. The Main Terminal including the East Connector contains 544,079 square feet of space on three levels in the terminal building and an additional 590,641 square feet of space in four concourses (Concourses A, B, C and D) with 76 aircraft gates in a mixed configuration. AMR Sub[4] uses 57 of these gates. The East Terminal has 234,000 square feet of building space and 12 narrowbody aircraft gates all of which are leased to Southwest. The International Area consist of 69,959 square feet and is situated between the Main Terminal and the East Terminal and includes the

[2] ACI Preliminary Traffic Data for CY 2001.
[3] The existing Runway 12R/30L will be remarked as Runway 12C/30C when the new runway 12R/30L is completed.
[4] On April 9, 2001, Trans World Airlines (TWA) sold all of its assets to a wholly owned subsidiary of American Airlines Inc. (AMR Sub). In connection with the sale, TWA assumed and assigned to AMR Sub all agreements and leases between TWA and the City.

Federal Inspection Services (FIS) area and a common boarding area serving 3 narrowbody (or 2 widebody) aircraft gates.

Currently, public parking consists of a 1,965-car parking structure adjacent to the Main Terminal and a 980-car parking structure at the East Terminal, which provides a total of 2,945 short-term parking spaces. An additional 993 spaces are available for intermediate-term parking in a surface lot immediately behind the parking structure at the Main Terminal and 3,757 spaces are currently available for long-term parking in remote lots served by shuttle buses. The Airport is in the process of developing a 3,200 space long-term parking lot (the Cypress Lot), which is one of the projects being funded with proceeds from the 2002 CIP Bonds, and is scheduled for completion in the fall of 2003. The Cypress Lot will replace long-term lots A and B, and result in a net increase of 1,250 spaces.

MetroLink, the metropolitan area's light rail system, currently serves the Airport with two stations—one at the East Terminal and the other at the Main Terminal. MetroLink will soon provide transit access to the new Springdale employee parking lot, which opened in March 2002. This new Metrolink station is being financed with a portion of the 2002 CIP Bonds.

The other Airport facilities owned by the City include five cargo buildings, 18 related shop and service buildings, ground service office/hangers for AMR Sub and the office/hangers leased to Midcoast Aviation Services, Inc, a Fixed Based Operator. In addition there are other structures at the Airport not owned by the City, which include office space/hangers for Sabreliner Corporation, a Missouri Air National Guard facility and certain other cargo facilities.

Federal Express, United Parcel Service (UPS), Emery Freight and BAX Global lease space in a privately developed cargo facility situated on a 31-acre site. This complex includes a 100,000 square foot cargo building and a 448,000 square-foot aircraft parking apron. In January 2000, UPS opened a new 18,000 square foot cargo warehouse facility adjacent to a 200,000 square foot aircraft parking apron.

B. AIRPORT GOVERNANCE

The Airport is owned by the City and operated by the City of St. Louis Airport Authority (the Authority). The City is governed by a charter under the Constitution and the laws of the State of Missouri. The Mayor serves as Chief Executive Officer of the City and the Comptroller serves as the Chief Fiscal Officer. Both are elected to four-year terms. The Board of Aldermen, consisting of a President and 28 Aldermen who serve four-year terms, is the legislative body of the City. The Mayor, the Comptroller and the President of the Board of Aldermen constitute the Board of Estimate and Apportionment, which is primarily responsible for the City's finances.

The Authority was created to manage the Airport by an ordinance enacted by the Board of Aldermen. The Airport Commission (the Commission) is the governing board of the Authority and is responsible for overseeing the planning, development, management, and operation of the Airport. The Commission has seventeen members: the Director of Airports (acting as Chairman), the Comptroller, the President of the Board of Aldermen, the Chairman of the Transportation and Commerce Committee of the Board of Aldermen, six members appointed by the Mayor, five members appointed by the St. Louis County Executive, one member appointed by the St. Charles County Executive of Missouri and one by the Chairmen of the County Board of St. Clair County, Illinois. The Director of Airports serves as the Chief Executive Officer of the Authority. The Director is supported by one Deputy Director and four Assistant Directors.

With the approval of the Commission and the Board of Estimate and Apportionment of the City, the Director of Airports has the power to enter into contracts, leases and agreements for use of the Airport property and facilities. Contracts, leases and agreements with a term of more than three years must be authorized by the Board of Aldermen and, if such contract, lease or agreement relates to the construction of public works, by the Board of Public Service. The Director of Airports, with the approval of the Commission, has the power to establish schedules fixing all other fees and charges.

The key officials of the Airport management team are as follows:

Colonel Leonard Griggs, Jr., the Director of Airports and Chairman of the Airport Commission, has held these positions from 1977 through 1987 and from July 1993 to the present. Prior to his retirement as Colonel from the United States Air Force in 1977, Colonel Griggs was the Vice-Commander of the Airlift Command at Scott Air Force Base in Illinois. After his term as Director of Airports in 1987, he received a presidential appointment as Assistant Administrator for Airports with the Federal Aviation Administration (FAA).

Gerard Slay, the Deputy Director of Airports, is responsible for airfield and terminal buildings maintenance and operations. Mr. Slay joined the Airport in 1984 as the Airport Maintenance Manager and was promoted to his present position in February 2000.

Kenneth L. Below, the Assistant Director for Finance and Accounting, is the chief fiscal officer and has responsibility for the financial planning, management and contract administration functions at the Airport. Mr. Below has served in this capacity since December 1994. Prior to joining the Airport, he was employed by Martin Marietta for ten years.

William Fronick, the Assistant Director for Engineering is responsible for the planning and design of the Airport's capital improvement projects. Mr. Fronick began his career at the Airport as an architect in 1983, was promoted to Architectural Manager in 1987, and served in this capacity until promotion to his current position in 1996.

Donald Ruble, the Assistant Director for Planning and Development, is responsible for managing the construction of Airport improvements and noise mitigation programs. He began his career at the Airport in 1977 as an architect and was promoted to various other positions prior to his promotion to his current position in 1996.

Jack Thomas, the Assistant Director for Disadvantaged Business Enterprise Program. Mr. Thomas was previously the program manager of the Disadvantaged Business Enterprise Program, prior to his promotion to his current position in 2001.

C. AIRPORT DEVELOPMENT PROGRAM

The ADP is based on recommendations set forth in the Master Plan Supplement that was completed in 1996.[5] The Master Plan Supplement included recommendations for airport development over a 20-year planning period, to be accomplished in phases. The major element of the first phase of the development program recommended in the Master Plan Supplement is a new air carrier runway to the southwest of the existing airfield. The Master Plan Supplement also addressed other airfield improvements, the phased expansion of the existing terminal complex, and other Airport infrastructure needs.

The ADP is the restatement of the recommendations of the Master Plan Supplement as a specific program for implementation. The major elements of Phase 1 of the ADP to be funded by the City include land acquisition for the new runway; Northwest land acquisition (Boeing Property); the planning, design and construction of a new parallel air carrier runway (Runway 12R-30L); relocation of the Missouri Air National Guard facility and certain other facilities; and infrastructure for the redevelopment of the northeast quadrant of the Airport.

The new runway will be parallel to the existing east-west runways at the Airport and widely separated to permit simultaneous operations during instrument flight rule (IFR) conditions. The new runway project requires acquisition of a substantial number of residential and commercial properties, relocation of a portion of a major secondary road (Lindbergh Boulevard), construction of new roadway interchanges, construction of the runway and related taxiways, and installation of required airfield lighting and navigational aids.[6]

The new runway will allow the Airport to accommodate dual independent aircraft arrivals during IFR or bad weather conditions, thereby substantially increasing airport capacity. Previous studies indicate the new runway should result in savings to the airlines in aircraft delay costs of approximately $50 million a year and have a benefit/cost ratio of greater than 2:1.[7] In addition, the project is expected to reduce air traffic delays in the national air transportation system.

In September 1998, the FAA filed its Record of Decision regarding the environmental impact statement for the ADP, the final step in the environmental approval process for the program. In November 1998, the FAA awarded the City a Letter of Intent (the LOI) to provide $141.4 million of grants-in-aid for the project under the Airport Improvement Program (the AIP) over the 10-year period, Federal Fiscal Year (FFY) 1999 through FFY 2008.[8]

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[5] Leigh Fisher Associates, *Final Report--Master Plan Supplement Study, Lambert-St. Louis International Airport*, January 1996.
[6] The FAA is expected to fund a substantial portion of the costs of the navigational aids required for the new runway from its Facilities & Equipment budget.
[7] Source: FAA Benefit-Cost Analysis for Lambert-St. Louis International Airport Capacity Enhancement Project, July 31, 1997.
[8] In May 2000, the FAA amended the LOI to increase the amount of discretionary funds to be paid in the early years of the LOI while correspondingly decreasing the amounts to be paid in the later years.

Phase 1 of the ADP is being implemented over the eight-year period, FY 1999-FY 2006. The new runway is scheduled to be operational in the first quarter of calendar year (CY) 2006.

The Master Plan Supplement included recommendations regarding incremental expansion of terminal facilities to the west of the existing terminal complex. However, to date, no decisions have been made regarding the scope of potential terminal expansion at the Airport (other than ongoing planned improvements to existing terminal facilities that are part of the 1997 Bond Program, the 2001 Program, and the FY 2002-FY 2006 CIP). For this reason, Phase 1 of the ADP does not address any major terminal expansion. Future discussions with the airlines could lead to a decision to undertake major terminal expansion at the Airport at some point in the future. However, given the time required to obtain environmental approvals, and to plan, design and construct the facilities, it is unlikely that any major terminal expansion could be undertaken and completed within the forecast period addressed in this report.

The budget for Phase I of the ADP is $1.1 billion as summarized in **Table I-1**. As the program has proceeded and evolved, the budget has been changed by shifting budget amounts among various project components. However, the total program budget has not changed since it was originally established in 2000 and remains at $1.1 billion.

The original program budget included a program contingency reserve of $78 million. To date, the project has experienced significant cost increases with regard to program management and site development costs. The site development cost increases related to site grading and the need to treat soil with lime to reduce moisture content. However, these cost increases have been offset somewhat by (1) favorable bids on certain major elements of roadway construction, (2) deletion of certain other scope elements, and (3) revised cost estimates based on actual design. To date, program budget increases of $41 million have been recognized, exclusive of the program contingency reserve, by the Program Management Office. These increases represent a claim on the program contingency reserve, leaving an estimated balance of unused contingency of $37 million. .

With the anticipated refunding of the 2000 LOI Bonds, the future LOI grant receipts programmed for federal fiscal years 2003 through 2008 (which totals $82.9 million) will become available as a source of equity funding for Phase I of the ADP on a pay-as-you-go basis.[9] This amount is roughly equivalent to the $78 million of Phase I of the ADP program contingency in

[9] ADP project costs are expected to be incurred through FY 2006 and the last two LOI grant payments (in the total amount of $27.9 million) are not expected to be received until after Phase I of the ADP has been completed, if the entire program contingency is required. Therefore, the City will need to borrow money in anticipation of the receipt of these last two grant payments through borrowing from the ADF or using other financing alternatives.

Table I-1
STATUS OF AIRPORT DEVELOPMENT PROGRAM
PROJECT COST COMPARISON (1)
Phase I of Airport Development Program
Lambert-St. Louis International Airport
(In thousands)

	Original Budget	Current Estimate	Variance	Value of Land Acquisition Completed and Contracts Awarded as of 7/16/02
Program Management	$110,922	$132,033	$21,111	$74,568
Land acquisition	487,473	484,918	(2,555)	344,256
Design (runway and roads)	20,870	19,983	(887)	15,441
Site utilities	14,043	21,009	6,966	2,385
Site preparation	80,364	123,501	43,137	43,643
Construction staging area	468	407	(62)	407
Road construction	107,391	81,891	(25,500)	66,661
Runway construction	90,650	80,586	(10,064)	0
Deicing pads and glycol recovery	14,850	22,372	7,522	0
City-funded navaids	3,800	3,836	36	3,836
Relocation/demolition of other facilities	38,348	42,773	4,424	4,762
Northeast Quadrant infrastructure	27,343	24,512	(2,831)	1,722
Relocation of Missouri Air National Guard	35,000	35,000	0	0
Program contingency	78,000	36,702	(41,298)	
TOTAL	$1,109,522	$1,109,522	$0	$557,681
Other Tenant-Funded Costs				
FAA-funded navaids	$18,900			
TWA Ground Operations Center	24,094			
Dobbs flight kitchen	3,246			
	$46,239			
Total original budget	$1,155,761			

(1) Source: Program Management Office, September 4, 2002.
(2) Represents 50.3% of total budget

the current ADP budget. In the original plan of financing prepared in connection with the issuance of the 2001A ADP Bonds, it was anticipated that an additional $93.4 million of General Airport Revenue Bonds (GARBs) would be required in FY 2004 to fund Phase I of the ADP program contingency.[10]

Table I-1 also shows the current status of contracting for Phase I of the ADP. To date the total value of land acquisition completed and contracts awarded through July 16, 2002 was $558 million, representing approximately 50% of Phase I of the ADP program budget.

The plan of financing for Phase I of the ADP involves the coordinated use of the following funding sources:

- Airport equity funds in the ADF
- AIP grants-in-aid, including that portion of the LOI applied on a pay-as-you-go basis
- Proceeds of the Series 2000 LOI Bonds
- PFC Revenues applied on a pay-as-you-go basis
- GARBs, including proceeds of the 2001A ADP Bonds that are payable in large part from PFC revenues

D. THE 1997 BOND PROGRAM

In 1997, the City issued the 1997 Bonds in the principal amount of $199.6 million (the 1997 Bonds) to (1) provide bond financing for $115.4 million of project costs for projects in the Airport's 1997-2001 capital improvement program, and (2) reimburse the City for $54.3 million of project costs of the East Terminal Expansion project—costs originally funded with PFC resources.[11] The CIP projects financed with the 1997 Bonds are referred to as the 1997 Project. The PFC reimbursement element of the 1997 financing allowed the City to redirect PFC resources to fund initial land acquisition and other critical path elements of the ADP.

In 1999, the City and the airlines agreed to a temporary moratorium on the 1997 Project in order to jointly review the need for certain elements that had not yet been bid. As a result of that review, the City and the airlines agreed to defer indefinitely projects in the aggregate of approximately $11.6 million,[12] and the budget for the 1997 Project was revised to $103.8 million. The moratorium has ended, and the City is now continuing to bid the remaining elements of the 1997 Project.

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[10] This bond amount was the amount estimated to fund $78 million program contingency plus applicable issuance costs, capitalized interest and cash bond reserve.

[11] The final cost of the East Terminal project exceeded the original budget. PFC resources were applied to cover the additional costs; reducing the amount of PFC resources reimbursed from 1997 Bond proceeds to $42 million.

[12] All but two of these projects have now been removed from the Airport's five-year capital improvement program. The City is proceeding with the design of a new communications center. The City intends to apply the 1997 Bond proceeds originally allocated for these remaining projects (in the amount of $10.4 million) to projects of similar scope (airfield, terminal, and parking improvements) in the 2001 Program.

As of June 30, 2002, the City had bid various elements of the 1997 Project that had an aggregate original budget of approximately \$76.4 million, or 73.5% of the revised 1997 Project budget. The aggregate value of the contracts awarded to date was \$83.2 million, approximately \$6.9 million over budget. However, through June 30, 2002, the City had obtained \$8.2 million of AIP grants-in-aid for projects in the 1997 Project that are ongoing or complete—grants that were not anticipated when the bonds were sold in 1997. After taking these grants into consideration, the net Bond-funded cost of 1997 Project is approximately \$1.3 million under budget. The City expects to bid all of the remaining elements of the 1997 Project by end of Calendar Year 2002 and to complete the 1997 Project by June 30, 2004.

E. PART 150 NOISE MITIGATION PROGRAM

The City has been undertaking a Part 150 Noise Mitigation Program (the Part 150 Program) for the past 15 years. The program is based on recommendations set forth in a Part 150 Study that was completed in 1987 and a subsequent Part 150 Update that was completed in 1997. Through June 30, 2002, the City had expended, encumbered or committed approximately \$226 million for various noise mitigation measures, including (1) property acquisition, (2) purchase of avigation easements, (3) acoustical treatment of schools, (4) a pilot sound insulation program, (5) procurement of a noise management (monitoring) system, and (6) the relocation of Berkeley High School Complex from the northeast quadrant of the Airport to an off-airport site.[13] The City expects to commit an additional \$61 million for the Part 150 Program over the next several years, bringing the total cost of the program to \$287 million. The additional program expenditures are anticipated to include \$21 million for the completion of the Berkeley High School project, \$20 million for additional residential sound insulation, and \$20 million for additional property acquisition.

The Part 150 Program has been funded with prior (pre-1997) Bonds, AIP grants-in-aid, PFC resources, and the Airport Development Fund. The City expects to complete the Part 150 Program with anticipated future AIP discretionary grants, matching funds to be provided from currently approved PFC resources and, if necessary, moneys in the Airport Development Fund. The timing of the balance of the program will depend, in part, on the availability of such grants.[14] No bond funds are currently anticipated to be used to complete the Part 150 Program.

The City may undertake additional noise mitigation measures in connection with the Airport Development Plan and the new runway project. Such measures, if any, have not yet been determined and are not part of the currently approved Part 150 Program.

[13] The acquisition of the Berkeley High School site was recommended in both the original Part 150 Study and the Part 150 Update. Replacement of Berkeley High School is an essential first step in redeveloping the Northeast Quadrant of the Airport for other airport purposes. The City has acquired the Berkeley High School site and is in the process of developing the replacement school facility at an off-Airport site.

[14] The City is optimistic that the FAA will fund most, if not all, of the federal share of the remaining Part 150 Program with noise discretionary funds since the current AIP program that includes additional discretionary funding for noise mitigation. Additional PFC resources may also become available for this project as other elements of the Part 150 Program are completed and closed out.

F. THE FY 2002-FY 2006 CAPITAL IMPROVEMENT PROGRAM

The FY 2002–FY 2006 CIP consists of various improvement and rehabilitation projects for the airfield, terminal, terminal roadway/curbside, terminal infrastructure, initial security enhancements, public parking facilities, as well as major maintenance projects. The FY 2002-FY 2006 CIP is summarized in **Table I-2**. This table shows both the anticipated funding sources and the anticipated year of appropriation for each project. The total estimated cost of the FY 2002–FY 2006 CIP is $231 million. To facilitate the presentation and discussion of the FY 2002-FY 2006 CIP, the CIP has been subdivided into three components, as follows:

- FY 2002 Projects
- FY 2003/FY 2004 Projects
- Balance of CIP

1. FY 2002 Projects

In 2001, prior to the September11, 2001 Events, the City began a new CIP process and obtained airline Majority In Interest (MII) approval to undertake certain capital projects. The MII approval is required from no less than 50% of the signatory carriers that have an aggregate landed weight of more than 50% during the immediately preceding calendar year.[15] The September 11, 2001 Events resulted in a moratorium on new capital spending for the balance of FY 2002. The projects identified during the 2001 CIP process, together with certain security enhancement projects identified in the spring of 2002, are now grouped as the FY 2002 Projects. The FY 2002 Projects are to be financed using AIP grants, PFC resources, Airport Development Fund moneys and 1997 Bond Carryover proceeds. No new bond moneys are anticipated for the FY 2002 Projects.

The total cost of the FY 2002 Projects is approximately $35 million, as summarized in **Table I-2 Part A)**. Three of the projects have been completed or are in process, totaling $1.3 million; the remainder is planned to start in FY 2003.

In May 2002, the City received an AIP grant in the amount of $11.6 million to fund the costs of certain critical security projects at the Airport—projects developed to allow the Airport to respond to federal security directives enacted in the wake of the September 11, 2001 Events. The three projects include:

- Explosives analysis and structural modifications to the Main Terminal and East Terminal garages and terminal buildings ($5.0 million)

[15] Amendatory Agreement for Concourse Improvements and Terminal Expansion, dated December 8, 1975.

Table I-2
FY 2002-FY 2006 CAPITAL IMPROVEMENT PROGRAM
PART A -- FY 2002 PROJECTS
Lambert - St. Louis International Airport
Fiscal years Ending June 30
(in thousands)

Project Component	Estimated Cost	Funding Source				Fiscal Year of Appropriation				
		1997 C/O	AIP	PFC	ADF	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
SECURITY ENHANCEMENTS										
Upgrade Access Control System (Design)	$1,440		$1,440			$0	$1,440	$0	$0	$0
Upgrade Access Control System (Construction)	5,160		5,160			0	560	4,600	0	0
Structural Modifications - Main Terminal & Garage	3,500		3,500				3,500			
Structural Modifications - East Terminal & Garage	1,500		1,500				1,500			
Fingerprint Machine	40		40				40			
	$11,640	$0	$11,640	$0	$0	$0	$7,040	$4,600	$0	$0
AIRFIELD										
Replace 12L/30R Centerline Panels	$5,000		$3,080		$1,920	$0	$5,000	$0	$0	$0
2001 Taxiway Program	5,570	5,570				3,940	1,630	0	0	0
Major Maintenance--Airfield	262				262	0	162	10	90	0
2003 Taxiway Program	4,325			4,325		0	1,575	2,750	0	0
Annual Projects - Major Maintenance	300				300	300				
Terminal Upgrades	621				621	0	621	0	0	0
Replace Escalators, Center South	510				510	0	510	0	0	0
Elevated Runway Guard Lights	247				247	247				
	$16,835	$5,570	$3,080	$4,325	$3,860	$4,487	$9,498	$2,760	$90	$0
TERMINALS										
Major Maintenance--Terminals	$294				$294	$0	$294	$0	$0	$0
Terminal Roadway/Curbside Imps	440	440				0	440	0	0	0
Visual Paging Phase II	643	643				643				
Terminal Electrical Upgrades	425	425				425				
Main Terminal Roof Rehabilitation	393	186			207	0	393	0	0	0
Concession Improvements (Shoeshine Stands)	75				75	75	0	0	0	0
	$2,271	$1,695	$0	$0	$576	$1,143	$1,127	$0	$0	$0
TERMINAL INFRASTRUCTURE										
Mechanical Terminal/Concourses Infrastructure	$739	$739				$739	$0	$0	$0	$0
PARKING AND ROADS										
Main Terminal Garage Improvements	$2,490	$2,490				$210	$2,280	$0	$0	$0
SUPPORT BUILDINGS										
Major Maintenance--Roadways	$800				$800	$800				
Reconstruct Shops Road	220				220	0	220	0	0	0
Annual Projects - Major Maintenance	50				50	0	50	0	0	0
	$1,070	$0	$0	$0	$1,070	$800	$270	$0	$0	$0
TOTAL	$35,045	$10,494	$14,720	$4,325	$5,506	$7,379	$20,215	$7,360	$90	$0

Table I-2
FY 2002-FY 2006 CAPITAL IMPROVEMENT PROGRAM
PART B -- FY 2003 - FY 2004 PROJECTS
Lambert - St. Louis International Airport
Fiscal years Ending June 30
(in thousands)

Project Component	Estimated Cost	2002 Bonds	2004 Bonds	AIP	PFC	ADF	Fiscal Year of Appropriation FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
AIRFIELD											
FAR Part 150 Study Update	$3,000					$3,000	$0	$0	$0	$3,000	$0
Utility Survey	1,800					1,800	500	1,300	0	0	0
Planning Services	900					900	0	300	150	450	0
Annual Projects - Major Maintenance	200					200	0	100	100	0	0
Modifications to Airfield Electrical System	10,837	10,837					0	0	7,224	3,612	0
	$16,737	$10,837	$0	$0	$0	$5,900	$500	$1,700	$7,474	$7,062	$0
TERMINALS											
Main Terminal Finishes and Upgrades	$283	$283					$0	$0	$283	$0	$0
East Terminal Improvements	286	286					0	30	256	0	0
Concourse C Retail and Concourse Expansion	5,600	5,300				300	300	4,500	800	0	0
New Loading Bridges for Conc. B, C & D	9,035	9,035					0	9,035	0	0	0
New Facilities on Concourses C & D	2,150	2,150					0	2,150	0	0	0
Miscellaneous D Concourse Improvements	1,000	1,000					0	1,000	0	0	0
Lightening Protections and Electrical Upgrades	625	625					0	625	0	0	0
Airline Tenant Improvements	2,575	2,575					0	681	1,894	0	0
C/D Connector	3,500				3,500		0	1,500	2,000	0	0
Concourse C FIS Elevators and Stairs	750				750		0	250	500	0	0
Airport Maintenance Facility	11,303				11,303		0	5,651	5,651	0	0
Renovate City FIS	3,193				3,193		0	300	2,893	0	0
	$40,299	$21,253	$0	$0	$18,746	$300	$300	$25,722	$14,277	$0	$0
TERMINAL INFRASTRUCTURE											
Mechanical Terminal/Concourses Infrastructure	$7,778	$7,778					$215	$7,564	$0	$0	$0
PARKING AND ROADS											
Major Maintenance--Roadways	$600					$600	$0	$300	$300	$0	$0
Roadway Bridge Major Maintenance	2,784	2,784					20	624	2,140	0	0
Terminal Roadside and Curbside Improvements	2,964	2,964					0	184	2,781	0	0
Main Terminal Parking Garage Maintenance	13,000	13,000					0	5,300	4,000	3,700	0
Parking Garages and Facilities Maintenance	1,481	1,481					0	30	430	1,021	0
New Employee Parking	600	600					0	600	0	0	0
SpringDale MetroLink Station	5,000	5,000					0	5,000	0	0	0
New Cypress Parking Facility	25,000	25,000					0	25,000	0	0	0
	$51,429	$50,829	$0	$0	$0	$600	$20	$37,038	$9,651	$4,721	$0
ADMINISTRATION											
Disaster Recovery Plan	$300					$300	$0	$300	$0	$0	$0
TOTAL	$116,542	$90,697	$0	$0	$18,746	$7,100	$1,035	$72,323	$31,402	$11,783	$0

Table I-2
FY 2002-FY 2006 CAPITAL IMPROVEMENT PROGRAM
PART C -- FY 2005-FY 2006 PROJECTS
Lambert - St. Louis International Airport
Fiscal years Ending June 30
(in thousands)

Project Component	Estimated Cost	2002 Bonds	2004 Bonds	AIP	PFC	ADF	Fiscal Year of Appropriation FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
AIRFIELD											
Runway Navigational Aids	$400		$400				$0	$0	$0	$400	$0
Annual Projects - Major Maintenance	300					300				100	200
2004 Taxiway Improvements	2,030		2,030				0	0	245	1,785	0
Digitalization of Construction Documents	250		250				0	0	250	0	0
Fire House Improvements	150		150				0	0	15	135	0
Various Paving Improvements	4,000		4,000				0	0	4,000	0	0
Fire Department Training Facility	7,700		7,700				0	0	700	7,000	0
Reconstruct Runway 13-31	8,928		8,928				0	0	0	0	8,928
	$23,758	$0	$23,458	$0	$0	$300	$0	$0	$5,210	$9,420	$9,128
TERMINALS											
2002 Terminal Improvements	$1,300		$1,300				$0	$0	$0	$1,300	$0
New Communication Center Building (Construction)	3,000		3,000				0	0	3,000	0	0
Renovate International Holding	350		350				0	0	0	350	0
HVAC Improvements	1,980				1,980		0	0	0	1,980	0
International Area Improvements	23,433		23,433				0	0	0	23,433	0
Concourse C Improvements	6,080		6,080				0	0	0	6,080	0
C-D Bypass Connector	2,750		2,750				0	0	0	2,750	0
Concourse Floor Finishes--Phase 2	954		954				0	0	0	954	0
Planning	14,000		14,000	0		0	0	0	0	0	14,000
	$53,847	$0	$51,867	$0	$1,980	$0	$0	$0	$3,000	$36,847	$14,000
PARKING AND ROADS											
Major Maintenance--Roadways	$900					$900				$300	$600
Parking Systems Improvements	330		330				0	0	30	300	0
Ground Transportion Improvements	220		110			110	0	0	20	200	0
	$1,450	$0	$440	$0	$0	$1,010	$0	$0	$50	$800	$600
TOTAL	$79,055	$0	$75,765	$0	$1,980	$1,310	$0	$0	$8,260	$47,067	$23,728

- Financial Feasibility Report - City of St. Louis, Missouri, Airport Revenue Bonds, Series 2002 (Capital Improvement Program.) Upgrading of the Airport's Part 107 access control system ($6.7 million)
- Acquisition of a finger print machine for processing security clearances and for security screening ($40,000)

The grant provided 100% funding for these projects. The structural modifications to the terminals and garages are intended to provide sufficient blast protection necessary for the garages to be used without physical inspection of vehicles—a significant labor saving measure. In 2001, the airlines approved design of the access control system project—a first step in the planned implementation of a new access control system.

2. FY 2003/FY 2004 Projects

The FY 2003/FY 2004 Projects represent those projects that the City plans to undertake over the next two years. These projects are being financed primarily with the proceeds from the 2002 CIP Bonds. All of the FY 2003/2004 Projects that require airline MII approval under the procedures of the Use Agreements were approved by the Airlines.

Major projects to be financed with the 2002 CIP Bonds are briefly described below:

Airfield Improvements

Modifications to Airfield Electrical System: This project involves improvements to the airfield electrical system to increase the reliability, upgrade lighting circuits to meet Category IIIa requirements, and address security concerns related to the current system. The upgrades will consist of a dual-feed power distribution system at 34.5 kV, two new airfield lighting vaults, and upgraded airfield lighting circuitry. The total estimated cost of this project is approximately $30 million of which $19.2 million is already funded with other sources. The portion of the project costs that will be funded with proceeds from the 2002 CIP bonds is $10.8 million.

Terminal and Infrastructure Improvements

Concourse B, C, and D Upgrades. This project consists of various modifications to Concourses B, C and D. The major components are: (1) removal of six loading bridges on Concourse D and the installation of 11 regional jet loading bridges, (2) installation of 4 regional jet loading bridges on Concourse B, including preconditioned air units for all loading bridges on Concourses C and D, (3) electrical upgrades to meet power requirements for Concourses B, C, C ext. and D, (4) renovation of several fixed bridges to accommodate changes in aircraft mix, (5) the build-out of former commissary to provide for additional airline operations space, including installation of closed circuit TV and (6) various miscellaneous improvements, including the installation of millwork, upgrades to ticket counters and holdrooms, including mill work on the North Airline Ticketing Office. This work is being requested by American Airlines (American) and is estimated to cost $15.4 million, of which $13.8 million will be recovered from American through the imposition of a surcharge. The balance of the project costs will be recovered through the normal rate process at a cost of $1.6 million.

HVAC Improvements. This project involves a major upgrading of climate control equipment and systems on the concourses and is a follow-on to a similar project undertaken in the Main Terminal as part of the 1997 Bond Program. The project includes replacing the air handling units in all of the concourses and providing new air takes, replacing DDC panels and controls for the air handling units that feed the Concourse C-D checkpoint, replacing various heating and ventilation units along with electronic controls, installing a chilled booster pump, replacing the heating and cooling converter stations and the reconfiguration of various climate control circuits. The estimated cost of this project is $7.8 million.

Concourse C Retail Development. This project will provide for expansion of the north side of Concourse C on the apron and concourse levels to accommodate additional concessions, service areas and expanded passenger amenities. This will result in the relocation of existing restrooms and Airline Operations spaces impacted by this project. Total cost of this project is $5.3 million.

Improvements in Other Cost Centers

Cypress Long-Term Parking Facility. This project consists of developing a surface lot containing approximately 3,200 spaces, which will be located in a 34.5 acre area on the west side of Cypress Road and just south of I-70. The new parking facility will replace two existing long-term lots that are to be closed to make way for the new runway. The new Cypress Lot project will also include a customer service/operations building, a toll plaza, a vehicle service facility and a compressed natural gas fueling station. The estimated cost of project is $25 million.

Main Terminal Parking Garage Structural Improvements. This project provides for major structural rehabilitation of the Main Terminal parking garage, including rehabilitating the columns, beams, and pavement in the parking, drive slabs and the ramp system. The current structure was completed by 1970 and the combination of weather conditions and use of sodium over the years has resulted in the need for this project. This proposed improvements coupled with a yearly maintenance program should extend the useful life of the facility until 2015. This project is estimated at $13 million.

Springdale MetroLink Station. This project includes the construction of a new MetroLink Station at the new Springdale employee parking facility. The project incorporates all electronic switches and includes the pavement of a right-of-way, screening over I70, and security access system from the platform to the employee facility, parking inter-shuttle, pick up/drop off areas, lighting and related amenities. Total cost of this project is $5.6 million.

Terminal Roadway Curbside. This project involves various improvements to the terminal, roadside and curbside including; (1) a new passenger pick up area on the brown level of the garage, (2) a pedestrian bridge from the new pick up area to an area near the Main Terminal number 2 entry on the Ticketing Drive, (3) new finishes, lighting, ceilings, escalators, escalator enclosures, handrails and signage from the yellow level of the terminal building to the new pick up area, and (4) replacement of existing ramp and stairs and expanded walkway from the Baggage Claim to the Ticketing Drive. Total cost of this project is $3.0 million.

Other Major Maintenance. This project consists of rehabilitation of Lambert International Blvd., including the pavement for the east and west approaches to the bridge over Airflight drive. The total cost of this project is $2.8 million.

3. Balance of CIP

The balance of the FY 2002–FY 2006 CIP consists of projects programmed during the fiscal years 2004-2006. A significant portion of these projects is expected to be financed with the 2004 Bonds. The scope and timing of these projects is uncertain at this time, and none of the projects has been submitted for airline MII approval.

As mentioned earlier, the City is undertaking a variety of security measures at the Airport including structural modifications to the terminals and parking garages to enhance blast protection, modifications to the security checkpoints, and upgrading of the existing access control system. The FAA has provided financial support for these measures through the grants provided to date. In addition, the Airport is evaluating potential structural improvements to the terminals to accommodate proposed new explosive detection equipment, but the cost of such measures is unknown at this time. Once defined, these additional improvements could be added to the current CIP, and federal participation in the costs of such measures is uncertain. In the absence of federal funding from the FAA or the TSA funding for such additional security measures would likely be funded from the ADF or the proceeds of additional bonds. However, Airport Management anticipates that any personnel expenses associated with this measure will be the responsibility of the TSA and not an operating expense of the Airport.

SECTION II
PLAN OF FINANCING

This section discusses the plan of financing for the FY 2002-FY 2006 CIP. The first part of the section discusses the various funding sources available to the City for Airport capital improvements. This is followed by a discussion of the specific financing assumptions, including the issuance of the 2002 CIP Bonds to fund a portion of the FY 2002–FY 2006 CIP.

A. FUNDING SOURCES

The financing plan for the FY 2002–FY 2006 CIP identifies the following funding sources:

- Airport equity funds in the ADF
- Passenger Facility Charges (PFCs) resources
- GARBs
- AIP Grants

Each of these funding sources is briefly described below.

1. Airport Development Fund

The Airport generates cash flow each year from the operation of the Airport. Net Revenues generated after payment of Operation and Maintenance Expenses, Aggregate Debt Service on outstanding bonds, and the replenishment of certain reserves flow to the ADF where they can be appropriated for capital projects. As of June 30, 2002 the Airport had a balance of approximately $54 million in the unappropriated ADF account.

In future years, the Airport should continue to generate Net Revenues that will flow into the ADF as shown and discussed in more detail in Section V of this report. These amounts will be available to fund projects in the FY 2002-FY 2006 CIP as deemed appropriate by the Airport. In addition, the ADF may be used to advance funds that are anticipated to be reimbursed from LOI payments and PFC resources.

2. Passenger Facility Charges

In 1990, Congress authorized public airport operators to impose PFCs of up to $3.00 per eligible enplaned passenger and use the proceeds of such charges to fund airport capital improvements—primarily projects that improve airport capacity, mitigate noise, or enhance airline competition. PFCs have become a major source of equity capital for financing airport projects and are currently being imposed at most of the major airports in the U.S.

PFC revenues and the interest income earned thereon (collectively referred to as "PFC resources") may be used in two ways: (1) to pay directly the costs of approved projects (referred to as "pay-as-you-go" funding) and (2) to pay debt service on bonds issued for approved PFC projects (referred to as "leveraging" the PFC revenue stream).

In September 2001, the Airport received approval to increase the PFC rate from $3.00 to $4.50, which airlines collected beginning in December 2001. The Airport began receiving higher revenues based on the $4.50 PFC rate on February 1, 2002. The increased PFC resources are being used to fund a portion of the FY 2002–FY 2006 CIP and provide additional funding for ADP project costs on a pay-as-you-go basis through the completion of the ADP project currently scheduled for the first calendar quarter of CY 2006.

The FY 2002–FY 2006 CIP identifies the use of approximately $25 million of PFC resources for various improvements for the airfield and terminal. A portion of the PFC projects totaling $9.5 million is currently authorized under the Airport's fifth approved PFC application (PFC 5). However, the remaining $15.5 million are new PFC projects that were identified after the completion of the PFC 5 application. Airport Management has scheduled an Airline PFC Consultation meeting in December 2002 to initiate amendments to earlier PFC applications, and to discuss a new PFC application to obtain approval for the new PFC projects, which are part of the FY 2002-FY 2006 CIP. The Airport is expecting a favorable response regarding the planned use for these new PFC projects.

Table II-1 shows the calculation and anticipated application of projected PFC resources. The projection of PFC revenues is based on the assumption that approximately 95% of Airport passenger enplanements are PFC eligible—an assumption validated by recent PFC revenue data. Based on the base case enplanement forecast, the $4.50 PFC rate is projected to generate approximately $53 million in annual PFC revenues beginning in FY 2003, which is the first full year of collection at the higher rate. Projected PFC revenues are based on the forecasts of passenger enplanements presented in Section IV of this Report.

As you will note on **Table II-1**, based on the current spending projections during fiscal years 2003 through 2005, the City will have to borrow funds from available ADF or other financial resources to cover timing issues related to project spending and PFC collections. However, subsequent years' collections show sufficient PFC resources available to repay PFC borrowings on a timely basis.

3. General Airport Revenue Bonds

GARBs are bonds payable from the Revenues of the Airport. The City can issue additional GARBs under the Trust Indenture as long as it can meet the Additional Bonds Test and the aggregate amount of GARBs don't exceed the City's current authorization limit of $1.5 billion. The Additional Bonds Test requires that projected debt service coverage on Airport Revenue Bonds equal at least 125% in each of the three fiscal years immediately following completion of the projects being financed and for any 12 consecutive calendar months out of the 18 calendar months preceding issuance of the bonds. The 2002 Bond Projects are scheduled to be completed by the end of FY 2005; therefore, the additional bonds test period is FY 2006–FY 2008.

Table II-1
PROJECTED PASSENGER FACILITY CHARGES
BASE CASE
Lambert-St. Louis International Airport
For Fiscal Years Ending June 30
(in thousands)

	Approved	Historical		Forecast					
	PFC Amount	2001 & Prior	2002	2003	2004	2005	2006	2007	2008
Projected PFC revenues									
Total enplaned passengers				12,634	13,073	13,352	13,626	13,900	14,179
Percent of enplaned passengers eligible (a)				95%	95%	95%	95%	95%	95%
PFC-eligible enplaned passengers				12,000	12,400	12,700	12,900	13,200	13,500
Amount of PFC charge				$4.50	$4.50	$4.50	$4.50	$4.50	$4.50
Less airline retention				(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)
Net PFC charge				$4.42	$4.42	$4.42	$4.42	$4.42	$4.42
Computed Net PFC revenue to Airport				$53,040	$54,808	$56,134	$57,018	$58,344	$59,670
Available PFC Resources									
Previous year's unused balance		$0	$112,186	$101,762	$62,663	$0	$0	$0	$12,838
Current year collections		$310,800	40,765	53,040	54,808	56,134	57,018	58,344	59,670
plus: interest earned 3.0%		$36,478	2,465	2,430	591	0	481	541	968
Interim Financing Required	55,164				22,313	32,851			
Interest on Interim Financing	1,162			0	335	827			
Repayment of Interim Financing	(56,326)						(32,529)	(23,797)	
		$347,278	$155,416	$157,232	$140,709	$89,813	$24,970	$35,089	$73,476
Application of Available PFC Resources									
PFC #1	$61,133	54,234	(79)	5,000	1,978				
PFC #2	$71,184	49,811	3,391	1,055	4,077	6,055	6,795		
PFC #3	$200,258	131,046	28,448	23,228	17,535	0	0		
PFC # 4 (debt service on PFC-enhanced Airport Revenue Bonds)									
Debt service on PFC-enhanced bonds			17,515	15,013	15,013	15,013	15,013	20,803	20,805
Funded 25% coverage on PFC-enhanced bond debt service			4,379	3,753	3,753	3,753	3,753	5,201	5,201
Credit for prior year coverage redeposited in PFC Account			0	(4,379)	(3,753)	(3,753)	(3,753)	(3,753)	(5,201)
PFC # 4 Pay-As-You-Go	$128,028	0	0	34,319	43,055	47,492	3,162		
PFC #5 Pay-As-You-Go									
ADP Project Elements	$71,832		0	7,303	45,257	19,272	0	0	
Terminal (FIS), Concourse & Taxiway Improvements (b)	$9,498		0	1,875	5,643	1,980	0		
PFC #6 Pay-As-You-Go (c)	$15,553		0	7,401	8,151	0	0		
Cumulative unused PFCs		$112,186	$101,762	$62,663	$0	$0	$0	$12,838	$52,670

a. Reflects average collections during FY 1997- FY 2000 period.
b. Proposed PFC 5 amendment
c. Reflects proposed PFC 6 application

4. AIP Grants

The Airport Improvement Program (AIP) was established by the Airport and Airway Improvement Act of 1982 and authorized funding for the AIP from the Airport and Airway Trust Fund for airport development, airport planning and noise compatibility planning and programs. The AIP grant is awarded to airports in two ways: (1) Apportionment, also known as entitlement, is an annual award based on an established forecast of enplanements reduced by 50% if the Airport collects a $3.00 PFC or 75% if the Airport collects a $4.50 PFC; (2) Discretionary, grant is not based on activity, but rather the Airport's ability to exhibit funding needs to improve safety and security, preserve existing infrastructure, meet critical expansion needs, and attain compatibility with neighboring communities. During FY 2002 the Airport was awarded approximately $37 million in AIP grants, which consisted of the scheduled $12 million installment of the $141 million Letter of Intent previously awarded to the City, $11.7 million for various security enhancements previously discussed in Section I of this report, $10 million for various land acquisition projects and the balance of $2.7 million for reimbursement of various security related operating expenses incurred during FY 2002, subsequent to the September 11, 2001 Events. The AIP grants awarded during FY 2002 continue to show the Airport's ability to successfully obtain discretionary grant awards.

The current FY 2002–2006 CIP reflects funding of $14.7 million, of which $12 million was awarded in FY 2002 as previously discussed. The Airport continues to seek additional AIP grant funding and adjust funding sources as appropriate to ensure the most cost efficient use of available funding.

B. FINANCING PLAN FOR THE FY 2002–FY 2006 CIP

Table II-2 shows the estimated sources and uses of funds for the FY 2002–FY 2006 CIP. The sources include the anticipated GARB financing of the 2002 CIP Bonds and the 2004 bonds totaling approximately $193.5 million, which consists of $101.0 million for the 2002 CIP Bonds and $92.5 million for the 2004 bonds. Other funding sources include; 1997 Bond Carryover of $1.5 million, ADF funds totaling $13.9 million, PFC resources equaling $25.1 million, AIP grants totaling $14.7 million and interest income of $3.1 million makes up the balance of the required funding. The 2002 CIP Bonds financing is based on an estimated effective interest rate of 5.1% and the future bonds are based on an effective interest rate of 5.3% with interest capitalized for 2 years. All financing cost assumptions for the 2002 Bonds were provided by Bear, Stearns & Co. Inc., senior managing underwriter for the Series 2002 Bonds.

The financing plan for the FY 2002–2006 CIP was developed to: (1) place maximum reliance on PFC, AIP grants and ADF equity resources and, thereby, (2) minimize the issuance of GARBs. The four segments of the financing plan are described below.

1. ADF Funding

The Airport has committed $13.9 million of ADF moneys to the FY 2002– FY 2006 CIP. These funds have been allocated primarily to fund major maintenance programs for the airfield,

Table II-2
SOURCES AND USES OF FUNDS
5-YEAR CAPITAL IMPROVEMENT PROGRAM (FY 2002 - FY 2006)
Lambert - St. Louis International Airport
Fiscal years Ending June 30
(in thousands)

		Forecast				
	Total	2002	2003	2004	2005	2006
SOURCES OF FUNDS						
Balance carried forward			$591	$28,141	$8,333	$22,928
Principal amount of new bonds	$193,471	0	100,950	0	92,521	0
Accrued Interest	$0					
Net Original Issue Discount	$1,627		1,627			
1997 Bond Carryover	$10,494	5,957	4,536	0	0	0
Airport Development Fund	$13,916	3,048	5,458	8,820	(4,210)	800
AIP Grants	$14,720	0	10,120	4,600	0	0
PFC Resources (a)	$25,051	0	9,276	13,794	1,980	0
Interest income						
Construction Fund	$2,817	0	838	0	1,979	0
Capitalized Interest Account	$299	0	0	0	299	0
Total sources of funds	$262,395	$9,005	$133,397	$55,355	$100,903	$23,728
USES OF FUNDS						
Project Costs (b)						
FY 2002 Projects	$35,045	$7,379	$20,215	$7,360	$90	$0
FY 2003/2004 Projects	$116,542	$1,035	$72,323	$31,402	$11,783	$0
FY 2005/2006 Projects	$79,055	$0	$0	$8,260	$47,067	$23,728
Financing costs						
Issuance expenses	$2,711	0	861	0	1,850	0
Underwriter's Discount	$781		781			
Insurance Premium	$3,004		1,095		1,909	
Surety	$207		207			
Accrued Interest	$0		0			
Capitalized Interest	$18,306		9,774	0	8,532	0
Bond Reserve Fund	$6,743		0	0	6,743	0
Total uses of funds	$262,395	$8,414	$105,256	$47,022	$77,975	$23,728
Balance carried forward	$0	$591	$28,141	$8,333	$22,928	$0

a. See Table II-1
b. See Table I-2; project costs are reflected in the year of appropriation.

terminal infrastructure and roadways. These programs are essential for the on-going operations of the Airport.

2. PFCs

The Airport has committed approximately $25 million of its PFC resources to fund a portion of the FY 2002– FY 2006 CIP on a pay-as-you-go basis. As was previously discussed, approximately $9.5 million of these projects were approved in the PFC 5 application. The remaining $15.5 million requires a new PFC application. Airport management has scheduled an Airline PFC Consultation meeting in December 2002, to initiate PFC amendments and new PFC application to ensure proper authorization is available to fund all the PFC projects included in the FY 2002–FY 2006 CIP.

3. GARBs

The City plans to issue two new series of bonds, the 2002 CIP Bonds and the 2004 bonds, to finance a portion of the FY 2002–FY 2006 CIP in the amount of $193.5 million. Proceeds from the 2002 CIP Bonds, totaling $101.0 million, will be used to finance a portion of the projects committed for the FY 2003/FY 2004 projects. These funds will be used to fund various improvements and rehabilitation for the airfield, terminal buildings and infrastructure, terminal roadway/curbside, new long-term public parking facility and main parking garage structural repairs as described in **Table I-2** in Section I. Proceeds from future bonds, totaling $92.5 million, will provide funding for projects to be undertaken during FY 2005 and 2006 as described in **Table I-2**.

Additionally, due to a decision made by Airport management, certain projects previously approved to be financed by the 1997 Bonds were canceled. The City identified various projects in the FY 2002–FY 2006 CIP for which approximately $10.5 million dollars in 1997 Bond Carryover funds will be used.

4. AIP Grants

The City has anticipated using $14.7 million of AIP grants for funding a portion of the FY 2002–FY 2006 CIP. This funding will be used primarily for initial airport security initiatives and replacement of airfield panels as previously described on **Table I-2**.

C. DEBT SERVICE REQUIREMENTS

Table II-3 summarizes debt service requirements for each series of outstanding and proposed bonds. Bear, Stearns & Co. Inc., the senior managing underwriter for the 2002 Bonds, provided estimates of debt service requirements for the 2002 CIP Bonds and the 2002 Refunding Bonds.

The City currently has outstanding seven series of GARBs: Series 1992 (which refunded the Series 1990 Bonds), Series 1993 (which refunded the Series 1984 Bonds), Series 1993A, Series

Table II-3
DEBT SERVICE REQUIREMENTS
BASE CASE
Lambert-St. Louis International Airport
Fiscal years Ending June 30
(in thousands)

Page 1 of 2

	Forecast					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**
AIRPORT REVENUE BONDS						
Outstanding Bonds						
Series 1993 Refunding (1984) Bonds						
Principal	$10,390	$11,410	$12,545			
Interest	3,434	2,393	1,250			
less: transfer from debt service reserve (a)			(14,500)			
	$13,824	$13,803	($705)	$0	$0	$0
Series 1993A TWA Buyout Bonds						
Principal	$6,735	$7,165	$7,635			
Interest	1,408	977	508			
less: transfer from debt service reserve (a)			(8,143)			
	$8,143	$8,142	$0	$0	$0	$0
Series 1996 Refunding Bonds						
Principal	$3,465	$3,680	$3,865	$4,065	$4,275	
Interest	1,035	827	641	452	229	
less: transfer from debt service reserve (a)				(97)	(4,805)	
	$4,500	$4,507	$4,506	$4,420	($301)	$0
Series 1997 Bonds	$13,305	$13,644	$13,683	$14,720	$14,970	$14,944
less: transfer from debt service reserve						
less: additional capitalized interest (b)	(3,648)	(3,262)				
	$9,657	$10,382	$13,683	$14,720	$14,970	$14,944
Series 1998 Refunding Bonds						
Principal	$350	$4,310	$4,530	$4,760	$4,950	$5,145
Interest	3,375	3,361	3,146	2,919	2,729	2,531
	$3,725	$7,671	$7,676	$7,679	$7,679	$7,676
Series 2001 ADP Bonds						
Principal - PFC Projects (Leveraged)					$5,790	$6,050
Interest - PFC Projects (Leveraged)	15,013	15,013	15,013	15,013	15,013	14,755
Principal - ADP Projects					3,985	4,185
Interest - ADP Projects	2,670	2,670	2,670	2,670	7,893	7,694
less: transfer from debt service reserve						
	$17,683	$17,683	$17,683	$17,683	$32,682	$32,685
Total – Outstanding Bonds (c)	$57,532	$62,188	$42,843	$44,502	$55,029	$55,304

Table II-3
DEBT SERVICE REQUIREMENTS
BASE CASE
Lambert-St. Louis International Airport
Fiscal years Ending June 30
(in thousands)

Page 2 of 2

	Forecast					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Future Bonds						
General Purpose Airport Revenue Bonds for the ADP						
Series 2003 Refunding LOI 2000 Bonds (c)				$3,840	$5,625	$5,627
General Purpose Airport Revenue Bonds for the CIP						
Series 2002 CIP Bonds (c)		$584	$2,165	$6,896	$6,896	$6,901
Series 2002 Refunding (1992)	$5,395	$1,382	$1,383	$1,379	$1,382	$1,384
Series 2004 CIP Bonds (c)					6,743	6,743
	$5,395	$1,966	$3,549	$8,274	$15,021	$15,028
TOTAL – ALL AIRPORT REVENUE BONDS	**$62,927**	**$64,154**	**$46,391**	**$56,616**	**$75,676**	**$75,960**
LIMIITED OBLIGATION BONDS						
Letter of Intent Double Barrel Revenue Bonds for ADP (d)						
Series 2000	$9,624	$0	$0	$0	$0	$0

a. Total outstanding bond obligation balance assumes final debt service payment is paid from debt service reserve.
b. Funded from excess interest income earned in the 1997 Bond Construction Fund.
c. Excludes Capitalized Interest
d. City intends to refund the 2000 LOI Bond during the first calendar quarter of 2003.

1996 (which refunded the Series 1987 Bonds), Series 1997, Series 1998 (which refunded a portion of the Series 1992 Bonds) and Series 2001A ADP Bonds. The balance of the outstanding Series 1992 Bonds are being refunded with a portion of the Series 2002 Bonds. In addition, the Series 1993 and Series 1993A Bonds final maturities are scheduled to be paid in FY 2005, and the Series 1996 Bonds final maturities are scheduled to be paid in FY 2007. Final payment of these GARBs is anticipated to be made from available moneys in the Debt Service Reserve Account of the Bond Fund (in amounts equal to the Debt Service Reserve Requirement associated with each series).

During FY 2002, the City's bond counsel evaluated the excess interest earnings on the 1997 bond proceeds and determined that these interest earnings could be used to repay a portion of the debt service obligations associated with that bond issue. Additionally, based on the anticipated completion of the remaining projects by the end of FY 2004, additional capitalized interest has been projected for FYs 2003 and 2004 as shown on **Table II-3**.

The balance of **Table II-3** shows the estimated debt service requirements associated with the additional series of bonds to be issued for the FY 2002-FY 2006 CIP. Debt service on a portion of the 2001A ADP Bonds will be paid from Pledged PFC Revenues, which are a portion of the Airport's approved PFC revenues.

The City intends to refund the 2000 LOI Bonds and is currently evaluating the timing to occur during the first calendar quarter of 2003, in order to realize savings due to the lower bond interest rates and to provide additional resources to the ADF from the elimination of the LOI Contingency Fund, which secures the 2000 LOI Bonds. The structure contemplated will result in the conversion of the existing 2000 LOI Bonds to GARBs. However, sufficient capitalized interest will be provided in order to defer the costs of this refunding until after completion of the runway, which is scheduled for the first calendar quarter of 2006.

Table II-3 shows the debt service associated with the 2003 LOI Refunding Bonds (2003 Refunding Bonds), which is now included as a part of the Total Airport Revenue Bonds, since the 2003 Refunding Bonds are planned to be issued as GARBs. However, the 2003 Refunding Bonds financing structure includes capitalized interest through the first calendar quarter of 2006, therefore, the Airlines are not subject to any rate impact associated with these bonds prior to the expiration of the current Use and Lease Agreements, which expire December 31, 2005. For the purpose of calculating debt service coverage, which will be further discussed in Section V of this Report the Total All Airport Revenue Bonds debt service requirement, shown on **Table II-3,** is relevant for calculation of coverage.

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SECTION III
THE ECONOMIC BASE OF THE AIRPORT

The demand for air travel depends, in part, on the demographic and economic characteristics of an airport's service area. Local factors such as population, employment, income, and business environment contribute to the overall demand for air transportation in any region. Local economic and demographic factors are particularly important in determining the strength of the origin and destination (O&D) component of an airport's passenger traffic. In Calendar Year (CY) 2001, O&D traffic constituted approximately 47.4% of passenger traffic at the Airport. This section defines the air service area of the Airport, and reviews the demographic and economic trends of the area.

A. THE AIRPORT'S AIR SERVICE AREA

The Airport's primary air service area (ASA) includes the bi-state St. Louis metropolitan statistical area (MSA). The St. Louis MSA consists of the City of St. Louis, six counties in Missouri, and five counties in Illinois shown in **Figure III-1**. The counties in Missouri are Franklin, Jefferson, Lincoln, St. Charles, St. Louis, and Warren; while the counties in Illinois are Clinton, Jersey, Madison, Monroe, and St. Clair. These counties are well connected by a system of interstate highways and state highways. The MetroLink, operated by the Bi-State Development Agency, began service to the Airport in April 1994 and in 1998, the Agency opened its East Terminal station at the Airport. The MetroLink system together with the bus system is part of a fully integrated regional air and land transportation network. Four interstate highways, I-44, I-55, I-64, and I-70, provide access from the St. Louis MSA to the Airport. I-70 provides the main access to the Airport from the City's Central Business District (CBD). The beltways, I-170, I-255, I-270, and I-370, provide access around the City and between other interstate highways.

The Airport is the only major commercial airport in the St. Louis MSA. **Figure III-1** shows six other airports identified by the FAA as general aviation reliever airports: Spirit of St. Louis, St. Louis Downtown Parks (in Illinois), St. Louis Regional (in Illinois), St. Charles Municipal, St. Charles County/Smart, and Creve Coeur. These airports do not have runway lengths sufficient to accommodate large commercial aircraft. In November 1997, Mid America Airport started operations in St. Clair County. Under its full configuration, Mid America will have the capacity to accommodate 1.25 million enplanements annually – much smaller than the Airport. This issue is discussed further in **subsection IV-E**.

FIGURE III-1
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
AIR SERVICE AREA

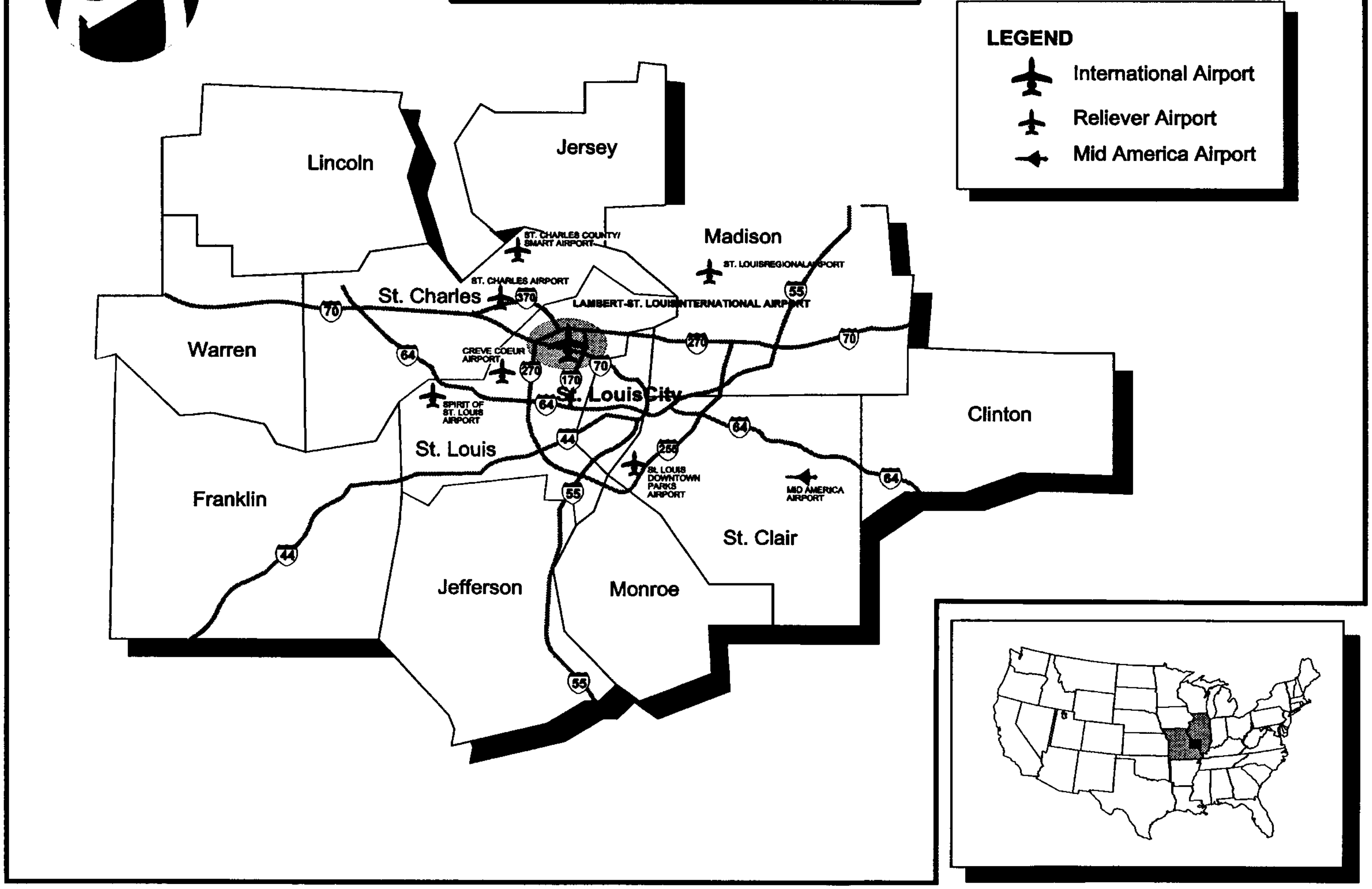
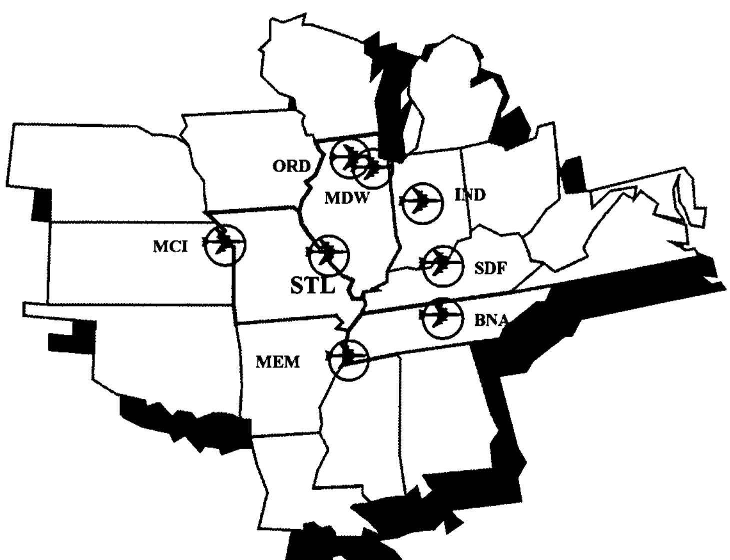


Figure III-2 shows that no other major airport air service area overlaps with the Airport's air service area. The nearest major airports are Kansas City (MCI), Memphis-Shelby (MEM), Chicago O'Hare (ORD), Midway (MDW), Nashville (BNA), Louisville (SDF), and Indianapolis (IND). The nearest major airport is at least 253 miles from the Airport.

FIGURE III-2
LAMBERT-ST. LOUIS INTERNATIONAL
AND NEARBY MAJOR AIRPORTS



Airport	Primary Service Area	Distance from STL[1] Miles	Distance from STL[1] Hours
Lambert-St. Louis (STL)	St. Louis MSA	-	-
Kansas City (MCI)	Kansas City MSA	253	4.7
Indianapolis (IND)	Indianapolis MSA	253	4.8
Louisville (SDF)	Louisville MSA	273	5.1
Memphis-Shelby (MEM)	Memphis MSA	286	5.3
Chicago O'Hare (ORD)	Chicago Region	306	5.7
Midway (MDW)	Chicago Region	288	5.4
Nashville (BNA)	Nashville MSA	320	6.0

[1] Refers to the practical driving route from STL (Source: PC Miler).

B. POPULATION

The population of an area is the primary source of air travel demand in that area. **Table III-1** presents the historical and projected population of the Airport's air service area. There were approximately 2.62 million residents in the area in 2001, an increase from 2.49 million residents in 1990, which translates into an average annual growth rate of 0.4%. The area's population is projected to increase at an average annual rate of 0.2%, and reach approximately 2.66 million by 2010. These population trends are similar to the trends observed at the state and national levels. The population of Missouri increased at an average annual rate of 0.9% between 1990 and 2001, while the U.S. population grew at an average annual rate of 1.2% over that period. The population of Missouri and the U.S. population are projected to increase at an average annual rate of 0.3% and 0.6%, respectively, over the 2001-2010 period.

TABLE III-1
COMPARISON OF POPULATION TRENDS
1990-2010

	Population			Avg. Annual Growth Rate	
	Actual	Estimate	Projected	Actual	Projected
County/Area	1990	2001	2010	1990-2001	2001-2010
St. Louis MSA					
Franklin, MO	80,603	95,187	107,200	1.5%	1.3%
Jefferson, MO	171,380	201,826	227,729	1.5%	1.4%
Lincoln, MO	28,892	41,010	46,235	3.2%	1.3%
St. Charles, MO	212,907	296,679	348,587	3.1%	1.8%
St. Louis, MO	993,509	1,015,417	986,265	0.2%	-0.3%
St. Louis City, MO	396,685	339,211	251,773	-1.4%	-3.3%
Warren, MO	19,534	25,452	30,864	2.4%	2.2%
Clinton, IL	33,944	35,658	37,251	0.4%	0.5%
Jersey, IL	20,539	21,832	24,848	0.6%	1.4%
Madison, IL	249,238	260,259	271,149	0.4%	0.5%
Monroe, IL	22,422	28,507	31,224	2.2%	1.0%
St. Clair, IL	262,852	256,599	300,308	-0.2%	1.8%
Total MSA	**2,492,505**	**2,617,637**	**2,663,433**	**0.4%**	**0.2%**
MISSOURI	**5,117,073**	**5,629,707**	**5,808,393**	**0.9%**	**0.3%**
UNITED STATES	**248,709,873**	**284,796,887**	**299,862,000**	**1.2%**	**0.6%**

Sources:
i) U.S. Bureau of the Census, at www.census.gov.
ii) Missouri Census 2000, at www.state.mo.us/2000 census.
iii) State of Missouri, Division of Budget & Planning, at www.oa.state.mo.us/bp/popproj.
iv) Illinois Census 2000, at www.state.il.us/2000 census.
v) State of Illinois, Office of Policy, Development, Planning and Research, at www.commerce.state.il.us/doingbusiness/research.

Table III-1 also shows that most of the projected population increase in the Airport's primary air service area will occur in the counties of Warren, St. Clair, St. Charles, Jersey, Jefferson, Franklin, Lincoln, and Monroe, each of which is projected to experience one or more percentage point growth in their population during the 2001-2010 period. A larger population base consolidates the local economy and represents a crucial factor in the area's economic growth. Travel demand generally benefits from a growing population.

C. LABOR FORCE

Table III-2 shows the trends in the labor market in the Airport's primary ASA during the 1991-2001 period. The labor force increased from approximately 1.3 million in 1991 to approximately 1.4 million in 2001, representing an average growth rate of 0.5% per year. Over the same period, the number of employed persons increased at an average annual rate of 0.7%, from approximately 1.2 million workers in 1991 to 1.3 million workers in 2001. The number of unemployed persons decreased from 90,794 in 1991 to 66,059 in 2001, representing an average decrease of 3.1% per year. The unemployment rate in the air service area dropped steadily, from a high of 7.0% in 1991 to 4.9% in 2001.

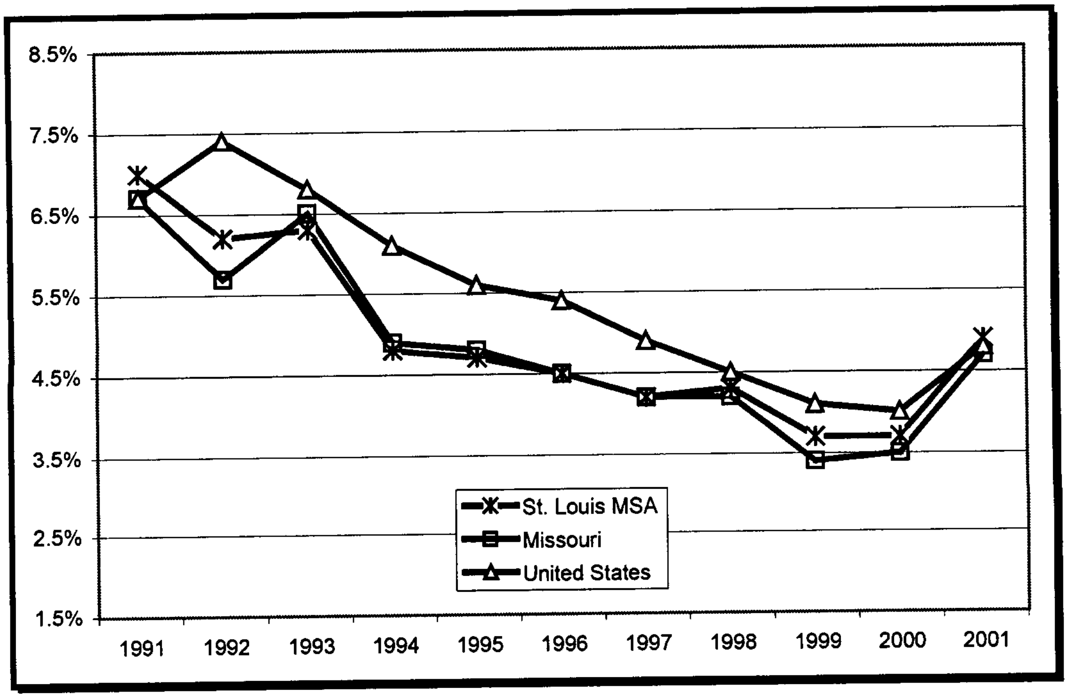
TABLE III-2
ST. LOUIS MSA CIVILIAN LABOR FORCE
1991-2001

Year	Labor Force			Unemployment Rate
	Total	Employed	Unemployed	
1991	1,297,908	1,207,114	90,794	7.0%
1992	1,293,072	1,213,305	79,767	6.2%
1993	1,275,989	1,195,753	80,236	6.3%
1994	1,285,596	1,224,244	61,352	4.8%
1995	1,332,198	1,268,959	63,239	4.7%
1996	1,360,434	1,298,952	61,482	4.5%
1997	1,332,316	1,276,711	55,605	4.2%
1998	1,321,607	1,264,450	57,157	4.3%
1999	1,320,263	1,271,966	48,297	3.7%
2000	1,360,668	1,309,745	50,923	3.7%
2001	1,360,025	1,293,966	66,059	4.9%
Average Annual Growth Rate				
1991-2001	0.5%	0.7%	-3.1%	-

Source: Missouri Department of Economic Development, at www.mo.works.state.mo.us.

Figure III-3 compares the Airport's air service area unemployment rate with the state and national unemployment rates. The trend in the area's unemployment rate closely tracked the unemployment trend in the State of Missouri, and was consistently lower than the national unemployment rate during the 1991-2000 period. The air service area experienced a slight increase in unemployment rate in 2001, as was the case at the state and national levels. The overall picture of the Airport's local economy is one of an active workforce.

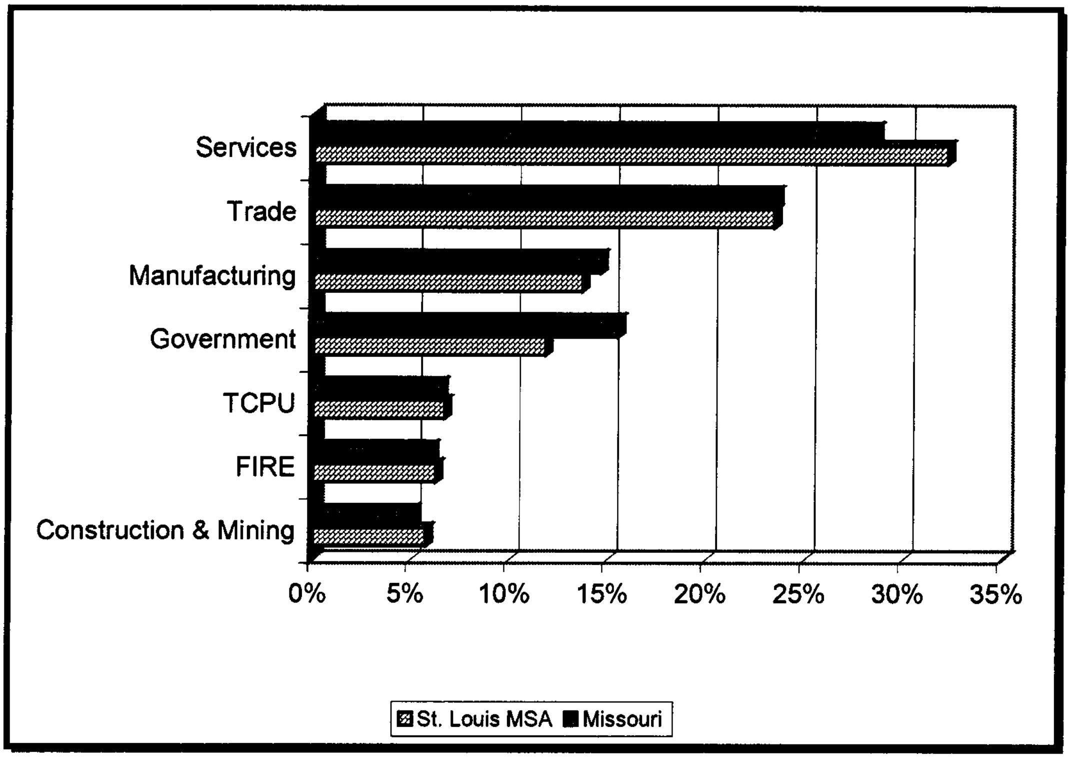
FIGURE III-3
COMPARISON OF UNEMPLOYMENT RATES
1991-2001



Sources: i) U.S. Bureau of the Census, at www.census.gov/publications.
ii) Missouri Department of Economic Development, at www.mo.works.state.mo.us.

Figure III-4 compares the distribution of non-agricultural employment in the St. Louis MSA with the distribution at the state level. As of October 2002, 2000 was the most recent year for which the breakdown of non-agricultural employment in the MSA was available from the Missouri Department of Economic Development. The distribution in 2000 illustrates the diversity of the local economy and the similarity between the local and state economies. In terms of number of employees, the leading private sector industries in both economies in 2000 were Services, Trade, and Manufacturing. Together, these three industry sectors accounted for approximately 69.4% of non-agricultural jobs in the St. Louis MSA in 2000, which compares closely with the 66.7% share observed at the state level. The fourth largest employer was the Government sector, which includes all levels of government (local, state and federal) and accounted for 11.8% of the MSA's non-agricultural jobs and 15.5% of the state's non-agricultural jobs in 2000.

FIGURE III-4
NON-AGRICULTURAL EMPLOYMENT
ST. LOUIS MSA and MISSOURI
2000



TCPU is transportation, communications, and public utilities.
FIRE is finance, insurance, and real estate.
Trade includes wholesale and retail trade.

Source: Missouri Department of Economic Development, at www.mo.works.mo.us/lmi.

Table III-3 lists selected major employers in the St. Louis region in 2001. It reflects the broad base of job creation in the region, including diverse manufacturing, defense, education, telecommunications, transportation, trade, health care and other services.

A recent study of the manufacturing sector in the State of Missouri identified suburban St. Louis, which comprises Franklin, St. Charles and St. Louis Counties, as one of the areas with the highest concentration of high technology and *top-of-cycle* manufacturing employment in Missouri. Top-of-cycle manufacturing industries are those that typically employ highly skilled technical workers, and engage in the manufacture of chemicals and allied products; electrical

TABLE III-3
SELECTED MAJOR EMPLOYERS IN ST. LOUIS REGION
2001

Company/No. of Employees	Industry
10,000 and above	
BJC Health System	Health Care
Boeing (formerly McDonnell Douglas)	Aircraft Manufacturing
The May Department Stores Company	Retail Trade
Schnuck Markets	Grocery Retail
Wal-Mart Stores, Inc.	Retail Trade
McDonald's Corporation	Restaurant
Scott Air Force Base	Defense
Washington University	Higher Education (private university)
5,000-9,999	
Anheuser-Busch Companies Inc.	Brewery
A.G.Edwards & Sons Inc.	Finance (brokerage)
American Airlines	Air Transportation
City of St. Louis	Municipal Government
Daimler Chrysler Corporation	Automobile Manufacturing (minivans & trucks)
Saint Louis University	Higher Education (private university)
SBC Southwestern Bell	Telecommunications
SSM Health Care System	Health Care
St. John's Mercy Health Care	Health Care
St. Louis Public School District	Education
Tenet Saint Louis	Health Care
U.S. Postal Service	Communications
2,000-4,999	
Ameren Corp.	Public Utilities (electricity)
Bank of America	Banking
Charter Communication	Communication (broadband, cable and internet access)
CitiMortgage Inc.	Finance
Edward Jones	Finance (brokerage)
Emerson Electric Co.	Electronics
Enterprise Rent-A-Car	Services (auto rentals & sales)
Ford Motor Co.	Automobile Manufacturing
Francis-Howell School District	Public Education
General Motors Corp. (Wentzville Assembly Center)	Automobile Manufacturing
Hardee's Food Systems, Inc.	Restaurants
Harrah's Casino and Hotel	Hospitality
K-Mart Corporation	Retail Trade
Tyco Healthcare Mallinckrodt Group Inc.	Manufacturing (medical chemicals)
Maritz Inc.	Services (motivational services)
Memorial Hospital	Health Care (acute care hospital)
Monsanto	Manufacturing (agricultural & industrial chemicals)
National Steel Corp. (Granite City Division)	Steel Manufacturing
Olin Corporation (Brass & Winchester Divisions)	Manufacturing (copper products & ammunition)
Parkway School District	Public Education
St. Louis County	County Government
Union Pacific Railroad	Transportation (railroad)
United Parcel Service	Services (package delivery)
Walgreen Co.	Retail (drugstore)

Source: Regional Chamber and Growth Association at www.econdev.stlrcga.org.

machinery; transportation equipment; instruments and related products; and printing and publishing products. [1]

With sixteen Fortune 1000 companies headquartered in the region, St. Louis ranked 6th among major metropolitan areas in *Fortune* magazine's list of America's top business locations in 2001. In addition, ten St. Louis companies were included in the *Forbes* 1000 list. The area companies that made it into these prestigious lists include A. G. Edwards & Sons, Ameren, Anheuser-Busch Companies, Inc., Brown Shoe, Charter Communications, Emerson Electric Co., Energizer Holdings, Express Scripts, Furniture Brands International, Graybar Electric Company, Inc., May Department Stores, Kellwood Corporation, Reinsurance Group of America, Sigma-Aldrich Corp., Solutia and Viasystems.

D. INCOME

The level of income is an important determinant of local consumer demand, including air travel demand. A commonly used measure of income is the per capita personal income, which is total personal income generated in an area at a given period divided by the population of the area. Hence, per capita personal income is a measure of the representative income of the residents of an area. **Table III-4** presents the per capita personal income of residents of the St. Louis MSA in 1999 and 2000. As of August 2002, 2000 was the most recent year for which metropolitan area personal income data was available from the U.S. Bureau of Economic Analysis.

In terms of personal income, the residents of the St. Louis MSA shared in the strong economic growth experienced nationwide in the 1990s and into 2000. Overall, the per capita personal income in the MSA was higher than the average for the State of Missouri and the U.S. average in both 1999 and 2000. In 2000, per capita personal income in the MSA was $31,354, which was 15.2% higher than the state average of $27,206, and 6.4% higher than the national average of $29,469. Among the counties in the MSA, residents of St. Louis County recorded the highest per capita personal income in both 1999 and 2000. In 2000, St. Louis County's per capita income of $39,457 was 45.0% higher than the state average, and 33.9% higher than the national average. The income level reflects, in part, the composition of employment available in St. Louis County. As mentioned earlier, there is a high concentration of high technology and skill-intensive manufacturing industries in the suburban St. Louis area. In addition, many of the major public and private sector employers listed in **Table III-3** are located in the area.

E. BUSINESS ENVIRONMENT

By mid-1999, the St. Louis region was already being cited as becoming a "21st century entrepreneurial powerhouse," indicating the end of a period of flat job growth and out-migration of people and jobs.[2] The Forbes article credited the new and expanding small and mid-size entrepreneurial companies for this positive outlook. Within the past few years, several high tech

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[1] Missouri Department of Economic Development, Research and Planning, *Manufacturing in Missouri: Diversification & Specialization.* September 15, 2000.
[2] *Forbes*, July 5, 1999.

businesses have moved into the area, turning St. Louis into one of the highest concentrations of entrepreneurial incubators in the nation.[3] Candidates for the entrepreneurial incubator program must demonstrate cutting-edge research and possess a business plan with potential economic impact on the St. Louis region. According to the St. Louis Regional Chamber and Growth Association (RCGA), six business incubators in the metropolitan area currently house 90 tenant companies, many of which are developing advanced medical technology, plant science technology, and information technology. Among these incubators is the Monsanto-backed Nidus Center for Scientific Enterprise. In April 2000, the $10 million Nidus Center opened its doors for business and its tenants include Colliant L.L.C., Libratto.com, GenChemciCs L.L.C, MedCentral, and Shurjo Medical Technologies.[4] The Nidus Center is expected to generate more than $1.5 billion within the St. Louis regional economy over the next 15 years.[5]

TABLE III-4
ST. LOUIS MSA - PER CAPITA PERSONAL INCOME BY COUNTY
1999 and 2000 [1]

	Per Capita Personal Income		Percent Change
County/Area	1999	2000	1999-2000
St. Louis MSA	**$29,855**	**$31,354**	**5.0%**
Franklin, MO	$23,741	$25,161	6.0%
Jefferson, MO	$21,752	$23,093	6.2%
Lincoln, MO	$20,892	$22,327	6.9%
St. Charles, MO	$27,777	$29,446	6.0%
St. Louis, MO	$37,777	$39,457	4.4%
St. Louis City, MO	$25,699	$27,106	5.5%
Warren, MO	$22,150	$23,505	6.1%
Clinton, IL	$23,647	$25,028	5.8%
Jersey, IL	$21,787	$22,974	5.4%
Madison, IL	$25,049	$26,482	5.7%
Monroe, IL	$26,894	$28,816	7.1%
St. Clair, IL	$23,564	$24,710	4.9%
MISSOURI	**$25,877**	**$27,206**	**5.1%**
UNITED STATES	**$27,843**	**$29,469**	**5.8%**

[1] 2000 is the most recent year for which metropolitan area personal income data are available.

Source: U.S. Bureau of Economic Analysis at www.bea.doc.gov/regional.

Site Selection Magazine noted that St. Louis' famous arch may, among other things, soon stand as a new gateway for Missouri's life sciences industries. This statement was made in recognition

[3] These are business centers that house small start-up firms.
[4] See various News Releases on the BioBelt posted at www.biobelt.org.
[5] See "St. Louis: The Heart of the Multi-State BioBelt", at www.biobelt.org.

of the extensive pioneering research in life sciences taking place in St. Louis. Referred to as "**the Biobelt**", the high skill content of the industry makes it a desirable platform for high wage jobs and new opportunities in the local economy. St. Louis is home to the Center for Emerging Technologies, which is a non-profit organization that develops start-up biomedical and technology companies. The Center recently completed an $8 million expansion, which includes facilities for research into the early detection of cancer, electronic monitoring devices and gene detection technologies; all of which are on the cutting edge of scientific research.

The steady annual growth in the number of business establishments in the St. Louis MSA shown in **Table III-5** illustrates the area's positive business environment. Between 1992 and 2000, the MSA consistently ranked among the top 20 metro markets in the United States. The number of business establishments increased from 59,047 in 1992 to 65,346 in 1999, representing a 10.7% increase between 1992 and 1999. This compares favorably with the trend observed at the national level during that period.

The St. Louis RCGA reports a number of recent economic development successes in the area including the following:[6]

- The $146 million **Donald Danforth Plant Science Center** recently opened in St. Louis. The Center is an interdisciplinary research facility devoted to research in plant genetics, chemistry, biochemistry, and cell biology.
- **Citi Mortgage**, one of the nation's largest lending and servicing corporations is in the process of expanding their facility in St. Louis at a cost of $85 million. The new facility will serve as Citigroup's main office for their mortgage operations.
- **Wyeth Biopharma**, formerly known as the Genetics Institute, a manufacturer of biopharmaceuticals, is in the process of expanding its facility into a 250,000-square foot production facility at the cost of $230 million. When completed the new facility will employ close to 600 workers.
- **Hardee's Food Systems, Inc.**, a wholly owned subsidiary of CKE Restaurants Inc., relocated its corporate headquarters from California, and its administrative center from North Carolina to the City of St. Louis in April 2001.
- **Rawlings Sporting Goods Co.**, the Fenton-based supplier of baseballs to Major League Baseball, leased a facility in the area in January 2001. The facility employs an additional 120 employees.

[6] The St. Louis Regional Chamber and Growth Association (RCGA), "Economic Development Successes", at www.econdev.stlrcga.org.

TABLE III-5
ST. LOUIS MSA BUSINESS ESTABLISHMENTS
1992-2001 [1]

Year	St. Louis MSA		United States
	# of Establishments	National Ranking	# of Establishments
1992	59,047	15	5,862,258
1993	61,424	15	6,175,127
1994	61,499	15	6,180,984
1995	62,480	16	6,289,515
1996	63,123	16	6,402,674
1997	63,656	16	6,493,394
1998	64,836	17	6,656,659
1999	65,346	17	6,794,831
2000	95,796	20	11,517,863
2001	105,305	17	12,086,972
Percentage Change			
1992-1999	10.7%	-	15.9%

[1] Effective 2000, *Sales & Marketing Management* adopted a more comprehensive approach to the definition of "business establishment" to include government and non-commercial entities. Although it preserves the ranking system, the new measure distorts comparison in terms of levels and growth trend with prior years. Consequently, the percentage change shown in this table is calculated over the 1992-1999 period.

Source: Sales & Marketing Management, *Survey of Buying Power,* 1993-2002.

- Expansion plans in the **Gateway Commerce Center in Edwardsville, Illinois,** were completed in August 2002. The projects include the construction of warehouses to accommodate the operations of **Proctor & Gamble, Lanter Co.,** and **Buske Lines Inc**.
- In March 2001, St. Louis-based **Edward Jones** announced plans to build a $74 million high-tech data center in Maryland Heights, which will create an additional 30 highly paid jobs.
- In November 2000, **American Water Work Co. Inc.**, the largest publicly traded water service provider in the United States announced plans for the construction of a national customer service center in Alton, Illinois.
- Sigma-Aldrich broke ground in June 2000 on a large midtown expansion involving the construction of flexible laboratory space and a corporate training center. The $55 million **Life Science Technology Center** opened recently and houses 220 research chemists.

The local construction industry has also responded positively to the business opportunities in the St. Louis MSA. **Table III-6** shows the overall upward trend in residential construction activity during the 1991-2001 period. The number of housing units added each year increased at an average rate of 3.7%, from 8,350 units in 1991 to 11,951 in 2001. The value of these residential investments increased at an average rate of 8.5% per year, from $663.6 million in 1991 to approximately $1.5 billion in 2001.

TABLE III-6
ST. LOUIS MSA NEW RESIDENTIAL CONSTRUCTION ACTIVITY
1991-2001

Year	Number of Housing Units	Valuation of Investment ($000)
1991	8,350	663,606
1992	10,434	928,179
1993	11,566	1,051,986
1994	13,134	1,227,223
1995	11,520	1,128,177
1996	12,666	1,250,261
1997	11,084	1,182,922
1998	12,335	1,363,713
1999	12,612	1,432,123
2000	12,226	1,401,827
2001	11,951	1,496,883
Average Annual Growth Rate		
1991-2001	3.7%	8.5%

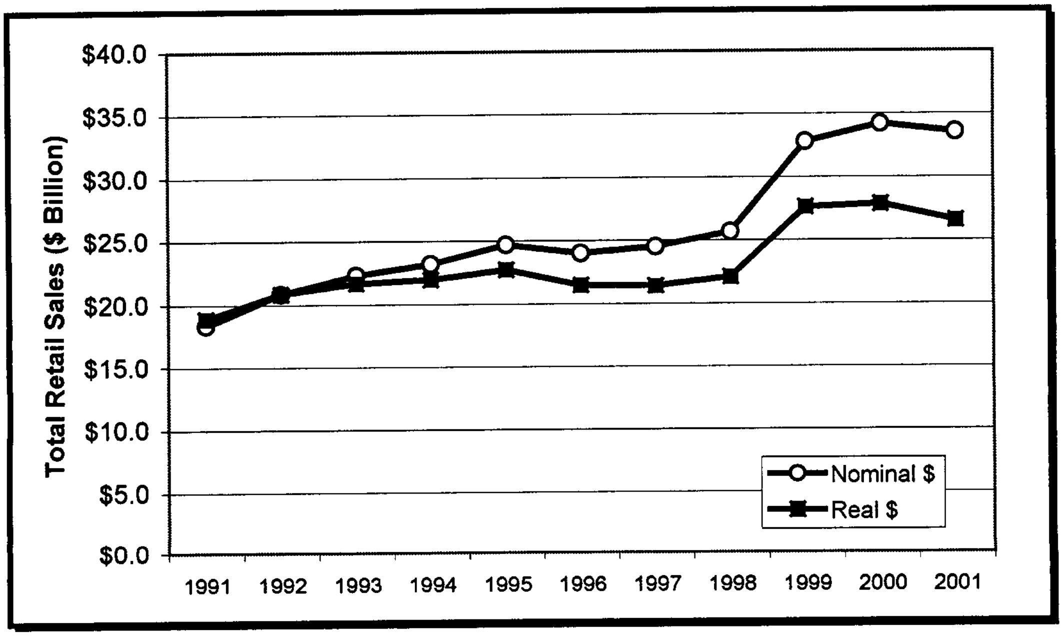
Source: U.S. Bureau of the census, at www.census.gov/const/C40.

F. TRADE

Trade (comprising wholesale and retail trade) is a vital sector of an economy primarily because it represents the distributive end of the production process. The Trade sector is also a significant source of employment and revenues. As shown earlier in **Figure III-4**, the Trade sector is the second largest employer in the Airport's air service area, accounting for 23.5% of non-agricultural jobs in 2000.

Figure III-5 shows the overall positive trend in retail sales in the St. Louis area during the 1991-2001 period. Retail revenues increased from $18.3 billion in 1991 to $33.5 billion in 2001, representing an average annual growth of 6.2% over that period. This translates into an average annual growth rate of 3.5% in real (inflation-adjusted) terms over the 1991-2001 period. Such strong performance confirms the role of trade and the overall strength of the economy of the St. Louis MSA.

FIGURE III-5
ST. LOUIS MSA - ANNUAL RETAIL SALES
1991-2001



"Nominal $" refers to current dollar values, while "Real $" refers to constant 1992 dollars.

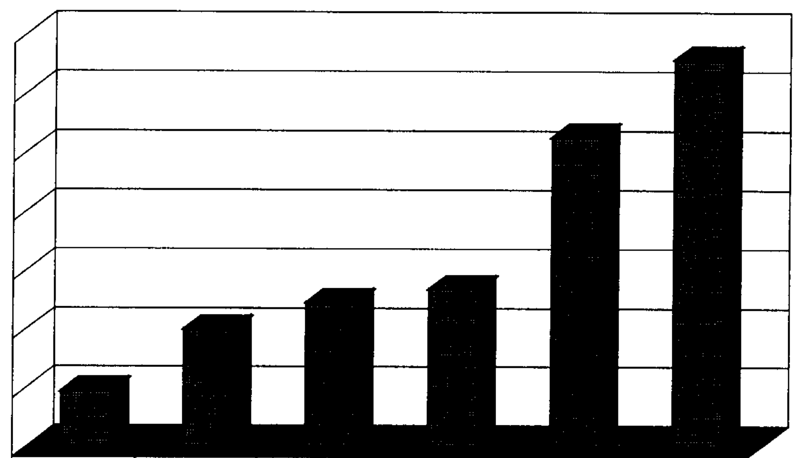
Source: Sales & Marketing Management, *Survey of Buying Power,* 1992-2002.

A breakdown of the composition of retail sales in 2001 presented in **Figure III-6** illustrates the broad base of retail revenues in the St. Louis MSA.

The St. Louis region has two Foreign Trade Zones (FTZs) and four sub-zones, all of which are located to take full advantage of the area's integrated road, rail and air transportation network. FTZ #31, a joint venture between the public and private sectors, is located in the Tri-City Port area in Granite City, Illinois, and provides spacious warehousing and industrial facilities. FTZ #102 is located at the Red Arrow Corporation warehouse and distribution facility near the Airport. Through a variety of tax and business incentives, FTZs facilitate international trade in the region.

Foreign trade is desirable for the diversification of the economy, as well as a source of employment and revenues. The St. Louis region has recorded significant increases in its total merchandise exports to the world in recent years. 1999 is the most recent year for which export data are available from the U.S. Department of Commerce. During the 1995-1999 period, trade between the region and each of the global market blocks showed remarkable growth, with the

FIGURE III-6
ST. LOUIS MSA - RETAIL SALES BY STORE GROUP ($000)
2001



	F.H.E.A.	Food Svc. & Drinking Estab.	General Merch.	Food & Beverage Stores	Motor Vehicles & Parts	Misc.
% Share	4.8%	10.1%	12.3%	13.5%	26.4%	32.9%

F.H.E.A is Furniture & Home Furnishing and Electronics & Appliances.
Miscellaneous includes all other categories of retail sales, including clothing, health and personal care, sporting goods, gasoline, and general merchandise.

Source: Sales & Marketing, *Survey of Buying Power,* September 2002.

highest increases occurring in trade with Africa, the Near East nations, the Caribbean, and Central America. **Table III-7** shows that total exports from the St. Louis region increased by 22.1%, from approximately $4 billion in 1995 to $4.9 billion in 1999.

A breakdown of the exports presented in **Table III-8** shows the diversity of the foreign trade base of the metropolitan area. Manufactured products accounted for approximately 90% of the areas merchandise exports in 1995 and 1999. The manufactured products include food, chemical and diverse products from the high-tech and top-of-cycle manufacturing industries located in the MSA. These trade figures confirm the important role of the manufacturing sector in the local economy.

TABLE III-7
ST. LOUIS MSA - MERCHANDISE EXPORTS TO GLOBAL MARKETS
1995 and 1999[1]

Market Block	1995 ($000)	1999 ($000)	% Change 1995-99
NAFTA Countries	$1,194,199	$1,464,456	22.6%
Caribbean & Central America	$143,837	$227,931	58.5%
South America	$397,999	$509,933	28.1%
Europe	$1,219,877	$1,379,749	13.1%
Asia	$806,572	$954,758	18.4%
Africa	$57,623	$104,205	80.8%
Near East	$67,223	$119,362	77.6%
Australia	$107,254	$118,784	10.8%
Rest of the World	$3,092	$0	-
TOTAL EXPORTS	**$3,997,676**	**$4,879,178**	**22.1%**

[1] 1999 is the most recent year for which export data are available.

Source: U.S. Department of Commerce, Office of Trade and Economic Analysis, International Trade Administration at www.ita.doc.gov/td/industry.

G. TOURISM[7]

Tourism is one of St. Louis' largest industries. It employs more than 46,000 people, who serve over 6 million visitors a year, and brings $8 billion into the local economy. Located in the heart of downtown St. Louis, the newly expanded America's Center convention complex hosts some of the country's largest conventions. The center's Edward Jones Dome, the first multi-purpose stadium in America to be built as an integral part of a convention center, brings new attention to the complex through its ability to host special events and through its major sports tenant, the St. Louis Rams (the 2000 Super Bowl Champions).

St. Louis has a wealth of professional teams and events that draw visitors into the area. These are the St. Louis Cardinals, the St. Louis Rams, the St. Louis Blues, and the St. Louis Ambush teams. St. Louis also has minor league franchises such as the Otters hockey team, the Swarm basketball team, the Vipers roller hockey team, and the River City Rascals baseball team. Other visitor attractions and popular landmarks in St. Louis include the Gateway Arch, Laclede's Landing, Eads Bridge, St. Louis Union Station, The Grand Center, Cathedral Basilica of St. Louis, Missouri Botanical Garden, the St. Louis Zoo, Forest Park, the St. Louis Science Center, City Museum, and the St. Louis Art Museum. Moreover, St. Louis' diverse ethnic heritage is celebrated through various visitor attractions and special events throughout the year.

[7] Most of the material in this sub-section is taken from the Internet site of RCGA at www.econdev.stlrcga.org and St. Louis Convention and Visitors Commission at www.st-louis-cvc.com.

TABLE III-8
ST. LOUIS MSA - MERCHANDISE EXPORTS BY PRODUCT SECTOR
1995 and 1999 [1]

Product Description	1995 ($000)	1999 ($000)	% Change 1995-99
Non-Manufactured Commodities	$399,353	$492,225	23.3%
Manufactured Products			
Food Products	$207,489	$482,441	132.5%
Textile Mill Products	$9,552	$10,481	9.7%
Apparel	$41,831	$26,468	-36.7%
Lumber & Wood Products	$13,001	$11,404	-12.3%
Furniture & Fixtures	$17,574	$15,901	-9.5%
Paper Products	$26,003	$27,063	4.1%
Printing & Publishing	$46,285	$70,669	52.7%
Chemical Products	$1,368,848	$1,481,210	8.2%
Refined Petroleum Products	$68,531	$146,524	113.8%
Rubber & Plastic Products	$113,822	$162,200	42.5%
Leather Products	$6,650	$10,206	53.5%
Stone, Clay, & Glass Products	$15,646	$18,135	15.9%
Primary Metals	$141,049	$135,749	-3.8%
Fabricated Metal Products	$133,924	$163,628	22.2%
Industrial Machinery & Computers	$445,162	$648,646	45.7%
Electric & Electronic Equipment	$355,591	$404,140	13.7%
Transportation Equipment	$366,664	$303,778	-17.2%
Scientific & Measuring Instruments	$197,278	$239,512	21.4%
Miscellaneous Manufactures	$12,494	$15,487	24.0%
Unidentified Manufactures	$10,931	$13,311	21.8%
TOTAL	**$3,997,678**	**$4,879,178**	**22.1%**

[1] 1999 is the most recent year for which export data are available.

Source: U.S. Department of Commerce, Office of Trade and Economic Analysis, International Trade Administration at www.ita.doc.gov/td/industry.

H. COST OF LIVING

One attractive attribute of the area is its relatively low cost of living.[8] A commonly used measure of the cost of living in an area is the quarterly all-item cost of living index calculated by the American Chamber of Commerce Researchers Association (ACCRA). The composite index is based on six components: Grocery Items, Housing, Utilities, Transportation, Health Care, and Miscellaneous goods and services. **Table III-9** compares the cost of living in the St. Louis MSA

[8] RCGA at www.econdev.stlrcga.org.

TABLE III-9
COST OF LIVING COMPARISON - SELECTED METROPOLITAN AREAS
Second Quarter, 2002

Metropolitan Area	Composite Index	Component Consumer Goods & Services					
		Grocery	Housing	Utilities	Transportation	Health Care	Misc.
Des Moines, IA	**93.0**	88.4	89.7	94.4	98.4	100.2	95.0
Indianapolis, IN	**93.4**	93.2	89.8	91.3	94.4	97.7	96.0
St. Louis, MO-IL	**102.6**	**105.7**	**96.5**	**107.8**	**101.5**	**102.1**	**105.5**
Cleveland , OH	**103.9**	109.5	97.8	127.6	107.3	108.0	98.9
Denver, CO	**104.7**	110.3	112.4	74.2	106.6	121.2	99.9
Minneapolis, MN	**105.5**	99.5	99.4	94.2	129.2	116.2	107.5
Philadelohia, PA	**122.6**	122.1	143.6	133.5	119.2	125.9	102.9
Boston, MA	**136.8**	122.4	181.3	163.6	105.7	132.8	109.4
Nassau County, NY	**139.6**	118.0	178.1	147.0	111.4	141.3	123.9
Chicago, IL	**149.8**	119.9	231.8	107.6	121.9	142.8	114.4

The cost of living index measures the relative price levels of consumer goods and services in participating areas. The national average is 100.

Source: American Chamber of Commerce Researchers Association (ACCRA), *Cost of Living Index - Comparative Data for 317 Urban Areas, Second Quarter 2002",* August 2002.

with that of selected U.S. metropolitan areas. During the second quarter of 2002, the cost of living index in the St. Louis MSA was 102.6, which was the third lowest index among the selected comparable metropolitan areas.

SUMMARY

The demographic and economic trends in the Airport's primary air service area reflect a strong and diverse economic base that will continue to support growth in air travel demand in the area. Highlights include the following:

- **A stable population base.** The Airport's primary air service area has a stable population base, which grew at a moderate pace of 0.4% per year between 1990 and 2001. The area's population is projected to continue to grow at an average annual growth rate of 0.2% through 2010. A stable population represents a reliable market base and is a vital factor for continued travel demand.

- **An active labor market.** Consistent with population growth trends, the primary air service area's labor force grew at a moderate rate of 0.5% per year between 1991 and 2001. The number of employed persons increased at a higher rate of 0.7% per year, while the number of unemployed persons decreased by 3.1% per year. The primary air service area had an unemployment rate of 4.9% in 2001.

- **A diversified employment base.** The composition of non-agricultural employment in the primary air service area indicates a broad employment base. The Services, Trade, Manufacturing, and Government sectors are the major job sources in the area.

- **A nationally comparable personal income level.** In 2000, the per capita personal income in the Airport's air service area was higher than the average for the State of Missouri and the U.S. average.

- **A business-friendly environment.** The influx of new and expanding small and mid-size entrepreneurial companies in the area is turning the region into one of the highest concentrations of entrepreneurial incubators in the United States. Recent trends in the number and diversity of business establishments point to a healthy business environment in the Airport's local economy.

- **A global trade connection.** The airport's primary air service area is well positioned for international trade. The presence of two Foreign Trade Zones and four sub-zones create an atmosphere that facilitates international business. The area is home to the headquarters of several Fortune 1000 and Forbes 1000 companies. Total merchandise exports from the area increased by 22.1% between 1995 and 1999.

- **A strong tourism industry.** Tourism is one of St. Louis' largest industries. The area boasts state-of-the-art convention facilities in the newly expanded America's Center convention complex. St. Louis is a popular destination that offers a variety of cultural attractions, recreational amenities, and sporting events. The RCGA estimates that over 6 million people visit St. Louis annually, infusing approximately $8 billion into the local economy.

- **Affordable cost of living.** One of the attractive attributes of the Greater St. Louis area is its relative low cost of living. In the second quarter of 2002, the composite cost of living index of St. Louis MSA was the third lowest among selected comparable metropolitan areas.

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SECTION IV
ANALYSIS AND FORECAST OF AVIATION ACTIVITY

This section examines the historical trends in aviation activity at Lambert-St. Louis International Airport particularly during the past ten years, 1992-2001, and recent months in 2002. Historical data are presented by calendar year (CY). Where feasible, recent data are also reported by fiscal year (FY)[1] to be consistent with the Airport's financial reporting system. Forecasts of aviation activity are developed for the fiscal years 2003 through 2011 to serve as the basis for the financial projections in Section V.

Like the rest of the industry, aviation activity at the Airport has been affected by the slowing down of the U.S. economy since 2001 and the September 11, 2001 Events. In addition, on January 10, 2001, TWA, the hub carrier at the Airport since 1983, filed a petition for reorganization and a motion for authority to sell potentially all of its assets. The sale of substantially all assets of TWA to AMR Sub was approved by the United States Bankruptcy Court for the District of Delaware on March 12, 2001 and the United States Department of Justice on March 16, 2001, and closed on April 9, 2001. With the sale, TWA assumed and assigned to AMR Sub all agreements and leases between TWA and the City. AMR Sub continued to operate the system hub, and, beginning in December 2001, the former operations of TWA have been largely integrated with those of American Airlines. This section presents monthly trends during FY 2001 and 2002 to examine how all these events have affected Airport activity and how traffic has been recovering in recent months.

A. HISTORICAL AVIATION ACTIVITY

1. The Airport

The FAA classifies the Airport as a *large hub*, a class of airports that enplanes 1% or more of total passengers in the United States. The Airport has been serving the St. Louis metropolitan area for over 80 years and now offers daily scheduled passenger service to over 100 cities across the United States and abroad. In CY 2001, the Airport served 26.7 million passengers and ranked 18th among U.S. airports in passenger traffic, based on preliminary data collected by the Airports Council International. The Airport processed over 470,000 aircraft operations and ranked 10th among U.S. airports in this category.[2]

Table IV-1 lists 17 major and regional air carriers that provide scheduled passenger service at the Airport. Of these, ten are signatory (airlines who signed a use and lease agreement with the Airport for a specified term). In addition, nine air carriers provide all-cargo service.

[1] The Airport's fiscal year ends on June 30.
[2] Airports Council International, Preliminary Traffic Data for CY 2001.

TABLE IV-1
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
SCHEDULED AIR CARRIERS SERVING THE AIRPORT
As of June 2002

Major/National	Regional	All-Cargo
America West[1]	Air Canada[2]	American International
American[1]	Chautauqua[3]	Airborne Express
Continental[1]	Comair[4]	BAX Global
Delta[1]	Continental Express	DHL Airways
Northwest[1]	Corporate[5]	Emery
Southwest[1]	Mesa[6]	Federal Express
United[1]	Mesaba[7]	Mountain Air
US Airways[1]	Skyway[8]	United Parcel Service
	Trans States[3]	Zantop International

[1] Signatory airlines.
[2] Foreign flag carrier.
[3] Signatory airline and regional operator for American (American Connection) and US Airways (US Airways Express).
[4] Regional operator for Delta.
[5] Regional operator for American (American Connection).
[6] Regional operator for US Airways and Frontier (Frontier Jet Express).
[7] Regional operator for Northwest (Northwest Airlink).
[8] Regional operator for Midwest Express.

Source: Airport management.

The Airport now serves as one of the three major system hubs[3] of American Airlines in the middle of the United States. In CY 2001, American – together with TWA and American Connection[4] regional partners, namely, Trans States, Chautauqua, and Corporate – accounted for 76.7% of the Airport's total enplanements. American and its regional partners operated approximately 456 daily flights from the Airport to over 90 airport destinations in the United States and abroad. These flights accounted for 75.0% of the total commercial passenger aircraft departures from the Airport.

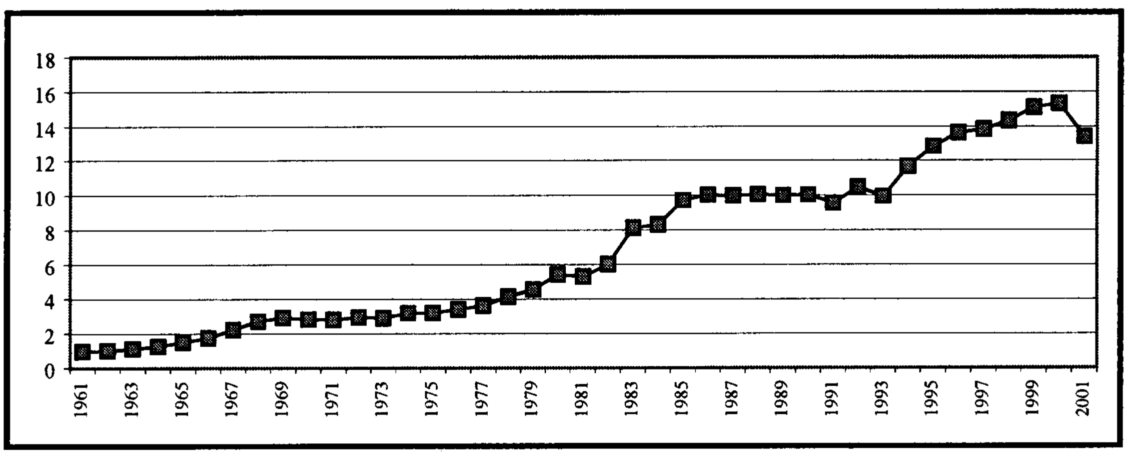
In CY 2001, Southwest held the second largest share of 12.8% of the Airport's total enplanements. During that year, Southwest operated approximately 76 departures to over 20 domestic airport destinations, representing 12.0% of total commercial passenger aircraft departures at the Airport.

[3] The two other major system hubs of American are Dallas-Fort Worth International Airport and Chicago O'Hare International Airport.
[4] Previously Trans World Express.

2. Enplanements

Figure IV-1 shows the enplanement trends at the Airport from CY 1961 through CY 2001. Growth characterizes the long-term trend. Enplanements increased from under one million in CY 1961 to approximately 13.4 million in CY 2001, an average growth rate of 6.8% per year over 41 years. The pattern of enplanement growth is cyclical, and, within each cycle, annual enplanement growth rates vary from low to high, and, sometimes, from positive to negative. Enplanement growth trends at the Airport generally reflect prevailing conditions in the U.S. economy; operational decisions of air carriers – particularly TWA, and now American, as system hub carrier; and events affecting the aviation industry such as the September 11, 2001 terrorist attacks.

FIGURE IV-1
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
HISTORICAL ENPLANEMENT TRENDS
CY 1961-2001



Source: Airport management.

Table IV-2 focuses on the enplanement trends at the Airport during the past ten years, CY 1992-2001. In CY 1993, enplanements dropped 5.1% as TWA transferred some flights from the Airport to a "mini-hub" in Hartsfield Atlanta International Airport (ATL) – a temporary measure to alleviate financial difficulties. During the following year, enplanements increased 17.3% as TWA restored flights to the Airport. The Airport had since sustained positive growth in enplanements through CY 2000 – helped by the longest post-war expansion of the national economy. Positive stimulus was provided by two other factors, namely, the continuing decline in the real price of air travel and the expansion of Southwest's low-fare operations at the Airport particularly during the early to mid-1990s. Between CY 1992 and CY 2000, Airport enplanements grew at an average rate of 4.8% per year, outpacing the nationwide enplanement growth rate of 3.9% per year.

TABLE IV-2
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT AND THE UNITED STATES
AIRPORT'S SHARE OF U.S. TOTAL ENPLANEMENTS
CY 1992-2001

Calendar Year	Airport Enplanements[1]	U.S. Enplanements[2]	Airport's Market Share
1992	10,478,501	509,375,000	2.1%
1993	9,942,073	526,100,000	1.9%
1994	11,666,667	563,125,000	2.1%
1995	12,847,080	586,825,000	2.2%
1996	13,631,454	614,000,000	2.2%
1997	13,820,579	634,850,000	2.2%
1998	14,334,329	650,525,000	2.2%
1999	15,092,981	673,700,000	2.2%
2000	15,301,578	692,100,000	2.2%
2001	13,389,593	644,345,100	2.1%
Average Annual Growth Rate			
1992-2000	4.8%	3.9%	
2000-2001	(12.5%)	(6.9%)	

[1] Source: Airport management.
[2] Source: Federal Aviation Administration, *Aerospace Forecasts, FY 2002-2013*, March 2002, and earlier versions. Federal fiscal year data were converted to calendar year data.

Recent events combined to hamper the growth in enplanements at the Airport:

- TWA's financial difficulties had persisted. TWA filed a petition for reorganization on January 10, 2001 and sold substantially all its assets to AMR Sub on April 9, 2001. TWA's operations became substantially integrated with those of American beginning in December 2001.

- The U.S. economy slowed, reached a peak in March 2001, and entered a recession. The economic slowdown dampened consumer confidence, reduced business profits, and weakened the demand for air travel – particularly the business segment.

- The September 11, 2001 Events, which involved the crash of two American flights, caused a two-day shutdown of the aviation system, eroded consumer confidence further, and reduced air travel demand nationwide.

For the entire calendar year 2001, Airport enplanements fell by 12.5% – more sharply than total U.S. enplanements, which fell by 6.9%.

Table IV-2 also shows the Airport's share of total U.S. enplanements. Consistent with the Airport's classification as a large hub, the Airport's market share ranged between 1.9% and 2.2% each year between CY 1992 and CY 2001.

Table IV-3 tracks monthly trends in enplanements at the Airport, compared with the entire industry, from July 2000 through June 2001 (FY 2001) and from July 2001 through June 2002 (FY 2002). **Table IV-3** shows the percentage change in enplanements each month, compared to enplanements during the same month in the previous year. Airport enplanements began a downtrend in November 2000, three months earlier than did the entire industry. Through December 2001, the percentage decreases in monthly enplanements at the Airport had been generally larger than experienced by the entire industry. In September 2001, the month of the terrorist attacks, the Airport posted a 44.4% decrease in enplanements, compared to a 33.7% decrease for the entire industry.

The demand for air travel has been recovering gradually since September 2001. Monthly enplanement levels at the Airport remained lower than the previous year's levels through August 2002, but the percentage decreases had diminished over time. In September 2002, total enplanements at the Airport exceeded the September 2001 level by 36.8%. For the quarter ending September 2002, total enplanements were up 0.3% from the same quarter in 2001.[5]

O&D and Connecting Enplanements

Table IV-4 presents historical data on O&D and connecting enplanements at the Airport. The growth of O&D enplanements is influenced substantially by the state of the national and local economy, and partly by the operating decisions of air carriers such as the expansion of low-fare service by Southwest, offers of fare discounts and specials by American and other airlines, and the introduction of service to new destinations. On the other hand, the growth of connecting enplanements is influenced partly by the state of the national economy as it determines the demand for air travel nationwide, and substantially by network decisions of the hub carrier – formerly TWA and now American. As of CY 2001, American and its regional partners carried 94.3% of connecting traffic at the Airport; Southwest carried the remaining 5.7%.

Between CY 1991 and CY 2000, connecting traffic drove the growth in Airport total enplanements. Connecting enplanements grew at 8.1% per year, four times the growth rate of O&D enplanements (2.0% per year). In CY 2001 connecting enplanements decreased by 12.4%, and O&D enplanements decreased by 12.6%. Consequently, the share of connecting traffic of total Airport enplanements increased over time and now represents the majority – approximately 53% over the past three years.

[5] Lambert-St. Louis International Airport, *Air Traffic Activity Report*, July-September 2002.

TABLE IV-3
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT AND THE INDUSTRY
MONTHLY ENPLANEMENTS
July 2000-June 2002

Fiscal Year/ Month	STL		Industry	
	Enplanements	Change[1]	Enplanements	Change[1]
FY 2001				
Jul-00	1,454,658	-0.3%	55,312,346	3.1%
Aug-00	1,426,096	3.0%	54,111,149	3.1%
Sep-00	1,253,742	3.9%	45,987,891	1.7%
Oct-00	1,326,492	2.1%	49,720,065	0.4%
Nov-00	1,220,476	-1.4%	48,311,059	1.2%
Dec-00	1,110,912	-4.6%	46,107,656	0.4%
Jan-01	1,044,967	1.8%	43,743,000	4.7%
Feb-01	995,466	-6.9%	42,286,000	-2.8%
Mar-01	1,311,235	-3.5%	52,013,000	-1.1%
Apr-01	1,204,280	-3.5%	50,191,000	-0.2%
May-01	1,281,594	-5.1%	50,493,000	-2.1%
Jun-01	1,353,630	-7.1%	53,069,000	-1.9%
Total-FY 2001	**14,983,548**	**-1.8%**	**591,345,166**	**0.5%**
FY 2002				
Jul-01	1,403,396	-3.5%	55,321,000	0.0%
Aug-01	1,282,487	-10.1%	55,665,000	2.9%
Sep-01	696,589	-44.4%	30,676,000	-33.3%
Oct-01	945,858	-28.7%	38,424,000	-22.7%
Nov-01	944,802	-22.6%	39,049,000	-19.2%
Dec-01	925,289	-16.7%	39,893,000	-13.5%
Jan-02	894,548	-14.4%	37,374,000	-14.6%
Feb-02	917,126	-7.9%	37,388,000	-11.6%
Mar-02	1,142,434	-12.9%	46,926,000	-9.8%
Apr-02	1,079,442	-10.4%	43,731,000	-12.9%
May-02	1,181,512	-7.8%	45,290,000	-10.3%
Jun-02	1,223,758	-9.6%	47,541,000	-10.4%
Total-FY 2002	**12,637,241**	**-15.7%**	**517,278,000**	**-12.5%**

[1] Change over the same period in the previous fiscal year.

Source: Airport management and Air Transport Association.

TABLE IV-4
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
O&D AND CONNECTING ENPLANEMENTS
1992-2002

Year	O&D Actual	O&D Share	Connecting Actual	Connecting Share	Total Enplanements
CY 1992	6,181,234	59.0%	4,297,267	41.0%	10,478,501
1993	6,270,884	63.1%	3,671,189	36.9%	9,942,073
1994	6,938,220	59.5%	4,728,447	40.5%	11,666,667
1995	6,967,981	54.2%	5,879,099	45.8%	12,847,080
1996	7,122,202	52.2%	6,509,252	47.8%	13,631,454
1997	7,144,372	51.7%	6,676,207	48.3%	13,820,579
1998	7,107,768	49.6%	7,226,561	50.4%	14,334,329
1999	7,127,141	47.2%	7,965,840	52.8%	15,092,981
2000	7,260,756	47.5%	8,040,822	52.5%	15,301,578
CY 2001	6,347,313	47.4%	7,042,280	52.6%	13,389,593
FY 1999	7,156,835	49.1%	7,422,499	51.0%	14,563,422
FY 2000	7,193,492	47.1%	8,065,665	52.9%	15,259,157
FY 2001	7,034,255	46.9%	7,949,293	53.1%	14,983,548
FY 2002	5,796,816	45.9%	6,840,425	54.1%	12,637,241
Average Share					
CY 1992-2001	-	**53.6%**	-	**46.9%**	-
Average Annual Growth Rate					
CY 1992-2000	2.0%	-	8.1%	-	4.8%
CY 2000-2001	-12.6%		-12.4%		-12.5%
FY 1999-2001	-0.9%	-	3.5%	-	1.4%
FY 2001-2002	-17.6%		-13.9%		-15.7%

Source: Airport management.

Table IV-5 shows the monthly growth trends of O&D and connecting enplanements at the Airport from July 2000 through June 2001 (FY 2001) and from July 2001 through June 2002 (FY 2002). In general, O&D enplanements decreased more sharply than connecting enplanements over the 24-month period. However, during November 2000, December 2000, July 2001, and August 2001, the connecting segment performed more poorly than O&D. Following the September 11, 2001 Events, connecting enplanements also posted larger percentage decreases than O&D initially, but have been recovering more quickly with smaller percentage decreases than O&D enplanements since December 2001.

TABLE IV-5
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
MONTHLY O&D AND CONNECTING ENPLANEMENTS
July 2000-June 2002

Fiscal Year/	O&D		Connecting		Total	
Month	Enplanements	Change[1]	Connecting	Change[1]	Enplanements	Change[1]
FY 2001						
Jul-00	659,735	0.7%	794,923	-1.0%	1,454,658	-0.3%
Aug-00	636,428	4.2%	789,668	2.1%	1,426,096	3.0%
Sep-00	597,619	1.3%	656,123	6.4%	1,253,742	3.9%
Oct-00	639,098	2.8%	687,394	1.5%	1,326,492	2.1%
Nov-00	594,193	0.4%	626,283	-2.9%	1,220,476	-1.4%
Dec-00	535,918	-1.7%	574,994	-7.1%	1,110,912	-4.6%
Jan-01	478,440	-2.1%	566,527	5.4%	1,044,967	1.8%
Feb-01	479,155	-6.7%	516,311	-7.1%	995,466	-6.9%
Mar-01	609,830	-5.5%	701,405	-1.6%	1,311,235	-3.5%
Apr-01	556,032	-5.5%	648,248	-1.7%	1,204,280	-3.5%
May-01	608,910	-6.9%	672,684	-3.5%	1,281,594	-5.1%
Jun-01	638,897	-7.1%	714,733	-7.0%	1,353,630	-7.1%
Total-FY 2001	**7,034,255**	**-2.2%**	**7,949,293**	**-1.4%**	**14,983,548**	**-1.8%**
FY 2002						
Jul-01	674,939	2.3%	728,457	-8.4%	1,403,396	-3.5%
Aug-01	613,217	-3.6%	669,270	-15.2%	1,282,487	-10.1%
Sep-01	342,432	-42.7%	354,157	-46.0%	696,589	-44.4%
Oct-01	463,378	-27.5%	482,480	-29.8%	945,858	-28.7%
Nov-01	459,679	-22.6%	485,123	-22.5%	944,802	-22.6%
Dec-01	422,404	-21.2%	502,885	-12.5%	925,289	-16.7%
Jan-02	395,858	-17.3%	498,690	-12.0%	894,548	-14.4%
Feb-02	382,468	-20.2%	534,658	3.6%	917,126	-7.9%
Mar-02	490,344	-19.6%	652,090	-7.0%	1,142,434	-12.9%
Apr-02	462,510	-16.8%	616,932	-4.8%	1,079,442	-10.4%
May-02	526,456	-13.5%	655,056	-2.6%	1,181,512	-7.8%
Jun-02	563,131	-11.9%	660,627	-7.6%	1,223,758	-9.6%
Total-FY 2002	**5,796,816**	**-17.6%**	**6,840,425**	**-13.9%**	**12,637,241**	**-15.7%**

[1] Change over the same period in the previous fiscal year.

Source: Airport management.

Domestic and International Enplanements

Table IV-6 presents historical data on domestic and international enplanements. The Airport serves primarily domestic passengers, which constituted 98.1% of total enplanements in CY2001. Domestic enplanements increased 4.9% per year between CY 1992 and CY 2000 – stimulated by the expansion of the U.S. economy during that period – and decreased 13.1% in CY 2001 along with the slowdown in the U.S. economy, the weakening of demand for air travel nationwide, and the aggravating effects of the September 11, 2001 Events.

TABLE IV-6
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
DOMESTIC AND INTERNATIONAL ENPLANEMENTS
1992-2002

Year	Domestic		International		Total
	Actual	Share	Actual	Share	Enplanements
CY 1992	10,284,088	98.1%	194,413	1.9%	10,478,501
1993	9,810,109	98.7%	131,964	1.3%	9,942,073
1994	11,507,038	98.6%	159,629	1.4%	11,666,667
1995	12,714,692	99.0%	132,388	1.0%	12,847,080
1996	13,476,216	98.9%	155,238	1.1%	13,631,454
1997	13,663,543	98.9%	157,036	1.1%	13,820,579
1998	14,157,672	98.8%	176,657	1.2%	14,334,329
1999	14,907,791	98.8%	185,190	1.2%	15,092,981
2000	15,103,678	98.7%	197,900	1.3%	15,301,578
CY 2001	13,131,364	98.1%	258,229	1.9%	13,389,593
FY 1999	14,387,966	98.8%	175,456	1.2%	14,563,422
FY 2000	15,080,187	98.8%	178,970	1.2%	15,259,157
FY 2001	14,746,149	98.4%	237,399	1.6%	14,983,548
FY 2002	12,356,056	97.8%	281,185	2.2%	12,637,241
Average Share					
CY 1992-2001	-	**98.6%**	-	**1.4%**	-
Average Annual Growth Rate					
CY 1992-2000	4.9%	-	0.2%	-	4.8%
CY 2000-2001	-13.1%	-	30.5%	-	-12.5%
FY 1999-2001	1.2%	-	16.3%	-	1.4%
FY 2001-2002	-16.2%	-	18.4%	-	-15.7%

Source: Airport management.

Between CY 1992 and CY 2000, international traffic accounted for less than 2% of total enplanements and had grown at a slower pace than domestic traffic. However, between CY 2000 and CY 2001, international enplanements increased 30.5% due to a significant increase in international enplanements by American and its regional partners. Monthly data in **Table IV-7** show that international enplanements at the Airport posted high positive growth rates during most of FY 2001 and FY 2002 – generally unaffected by the slowdown in the economy and the aftermath of the September 11, 2001 Events.

TABLE IV-7
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
MONTHLY DOMESTIC AND INTERNATIONAL ENPLANEMENTS
July 2000-June 2002

Fiscal Year/	Domestic		International		Total	
Month	Enplanements	Change[1]	Enplanements	Change[1]	Enplanements	Change[1]
FY 2001						
Jul-00	1,432,051	-0.5%	22,607	16.6%	1,454,658	-0.3%
Aug-00	1,407,082	3.1%	19,014	0.2%	1,426,096	3.0%
Sep-00	1,236,908	3.9%	16,834	5.1%	1,253,742	3.9%
Oct-00	1,310,950	1.7%	15,542	61.6%	1,326,492	2.1%
Nov-00	1,205,678	-1.8%	14,798	60.7%	1,220,476	-1.4%
Dec-00	1,097,189	-4.9%	13,723	32.3%	1,110,912	-4.6%
Jan-01	1,029,526	1.5%	15,441	32.9%	1,044,967	1.8%
Feb-01	980,695	-7.2%	14,771	23.1%	995,466	-6.9%
Mar-01	1,288,191	-4.0%	23,044	35.4%	1,311,235	-3.5%
Apr-01	1,183,483	-4.1%	20,797	50.8%	1,204,280	-3.5%
May-01	1,253,793	-5.7%	27,801	32.7%	1,281,594	-5.1%
Jun-01	1,320,603	-8.1%	33,027	65.0%	1,353,630	-7.1%
Total-FY 2001	**14,746,149**	**-2.2%**	**237,399**	**32.6%**	**14,983,548**	**-1.8%**
FY 2002						
Jul-01	1,373,091	-4.1%	30,305	34.1%	1,403,396	-3.5%
Aug-01	1,253,331	-10.9%	29,156	53.3%	1,282,487	-10.1%
Sep-01	680,947	-44.9%	15,642	-7.1%	696,589	-44.4%
Oct-01	928,911	-29.1%	16,947	9.0%	945,858	-28.7%
Nov-01	931,185	-22.8%	13,617	-8.0%	944,802	-22.6%
Dec-01	907,608	-17.3%	17,681	28.8%	925,289	-16.7%
Jan-02	873,883	-15.1%	20,665	33.8%	894,548	-14.4%
Feb-02	895,972	-8.6%	21,154	43.2%	917,126	-7.9%
Mar-02	1,117,087	-13.3%	25,347	10.0%	1,142,434	-12.9%
Apr-02	1,054,076	-10.9%	25,366	22.0%	1,079,442	-10.4%
May-02	1,152,157	-8.1%	29,355	5.6%	1,181,512	-7.8%
Jun-02	1,187,808	-10.1%	35,950	8.9%	1,223,758	-9.6%
Total-FY 2002	**12,356,056**	**-16.2%**	**281,185**	**18.4%**	**12,637,241**	**-15.7%**

[1] Change over the same period in the previous fiscal year.

Source: Airport management.

3. Airline Market Share

Table IV-8 shows the airline market shares at the Airport for selected calendar years. The market shares of American, TWA, and regional partners (Chautauqua, Corporate Air, and Trans States) were as follows:

	1992	1996	2000	2001
AA & TWA	71.8%	70.0%	74.5%	70.5%
Regional partners	6.2%	5.3%	4.4%	6.1%
Total	**78.0%**	**75.3%**	**78.8%**	**76.6%**

The combined market share of American, TWA, and regional partners decreased slightly from 78.0% in CY 1992 to 76.6% in CY 2001. Data for January through June 2002 show that American and its regional partners are regaining market share – 78.3% during the period.

Southwest holds the second largest market share at the Airport – 12.8% in CY 2001, an increase of 2.8 percentage points from CY 1992.

Over the past ten years, several regional carriers introduced scheduled service to the St. Louis market: Chautauqua as American Connection (previously Trans World Express) and US Airways Express, Corporate as American Connection (previously Trans World Express), Mesa as US Airways Express and Frontier Jet Express, Mesaba as Northwest Airlink, Skyway as Midwest Express, Air Canada, Continental Express, and US Airways Express. The combined market share of regional carriers increased from 6.5% in CY 1992 to 8.2% in CY 2001. This is consistent with the industry trend whereby major carriers have been handing off to their regional partners certain routes that can be more efficiently served by smaller aircraft – a trend that has accelerated post-September 11 as airlines attempt to better align supply with reduced demand in certain markets. Major carriers are also using regional partners to increase the frequency of service in relatively small markets and to introduce service to new markets.

4. Air Service Markets

As of June 2002, the Airport had 570 scheduled daily nonstop departures to 96 airport destinations in the United States and five airport destinations abroad. **Table IV-9** summarizes the status of air service at the Airport during selected months to show any change before and after the acquisition of TWA by American, and before and after the September 11, 2001 Events. For each month, the change in the number of airport destinations and average daily departures was calculated over the same month in the previous year to account for seasonal changes.

TABLE IV-8
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
AIRLINE MARKET SHARE
CY 1992, 1996, 2000 and 2001

Airline	Enplanements				Market Share			
	1992	1996	2000	2001	1992	1996	2000	2001
Air Carrier								
America West	115,538	95,268	70,156	84,567	1.1%	0.7%	0.5%	0.6%
American[1]	426,585	303,837	329,229	9,441,611	4.1%	2.2%	2.2%	70.5%
Continental	119,405	183,747	96,169	58,682	1.1%	1.3%	0.6%	0.4%
Delta	264,585	288,747	229,404	188,579	2.5%	2.1%	1.5%	1.4%
Northwest	302,800	311,768	260,308	267,145	2.9%	2.3%	1.7%	2.0%
Southwest	1,051,231	1,853,673	1,788,794	1,713,070	10.0%	13.6%	11.7%	12.8%
TWA[1]	6,867,294	9,232,007	11,064,976	-	65.5%	67.7%	72.3%	0.0%
United	303,773	275,354	226,383	246,272	2.9%	2.0%	1.5%	1.8%
US Airways	203,803	156,333	177,539	172,046	1.9%	1.1%	1.2%	1.3%
Subtotal-Air Carrier	**9,655,014**	**12,746,315**	**14,242,958**	**12,171,972**	**92.1%**	**93.5%**	**93.1%**	**90.9%**
Commuter								
Air Canada	-	21,539	22,774	21,107	0.0%	0.2%	0.1%	0.2%
Aspen/Executive	5,761	2,518	-	-	0.1%	0.0%	0.0%	0.0%
Chautauqua (American Connection)	-	-	101,000	297,363	0.0%	0.0%	0.7%	2.2%
Comair	20,381	36,128	74,572	48,209	0.2%	0.3%	0.5%	0.4%
Continental Express	-	-	53,808	114,196	0.0%	0.0%	0.4%	0.9%
Corporate Air (American Connection)	-	-	29,862	67,512	0.0%	0.0%	0.2%	0.5%
Mesa	-	-	8,836	11,349	0.0%	0.0%	0.1%	0.1%
Mesaba	-	-	64,174	62,420	0.0%	0.0%	0.4%	0.5%
Skyway	-	5,841	4,434	5,141	0.0%	0.0%	0.0%	0.0%
Trans States (American Connection)	653,912	722,873	538,254	456,122	6.2%	5.3%	3.5%	3.4%
US Airways Express	-	-	12,054	7,534	0.0%	0.0%	0.1%	0.1%
US Airways Express/Chautauqua	-	-	-	6,884				
Others	2,576	249	-	-	0.0%	0.0%	0.0%	0.0%
Subtotal-Commuter	**682,630**	**810,619**	**909,768**	**1,097,837**	**6.5%**	**5.9%**	**5.9%**	**8.2%**
Subtotal-Charter[2]	**140,857**	**74,520**	**148,852**	**119,784**	**1.3%**	**0.5%**	**1.0%**	**0.9%**
Total Enplanements	**10,478,501**	**13,631,454**	**15,301,578**	**13,389,593**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

[1] Includes TWA enplanements in 2001.

[2] Includes Champion Air which began service in July 2000.

Source: Airport management.

**TABLE IV-9
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
STATUS OF AIR SERVICE AT THE AIRPORT
PUBLISHED NONSTOP DEPARTURES DURING SELECTED MONTHS
CY 2001-2002**

Air Service Measures	Pre-TWA	Post-TWA Acquisition			Change over the same month in previous year			
	Acquisition	Pre-Sep 11	Post-Sep 11					
	Jan-01	Aug-01	Oct-01	Jun-02	Jan-01	Aug-01	Oct-01	Jun-02
Domestic								
Number of Airport Destinations	104	106	101	96	1	4	0	(8)
Average Daily Departures	615	650	567	562	14	28	(45)	(78)
International								
Number of Airport Destinations	9	5	4	5	4	(1)	(1)	(1)
Average Daily Departures	9	10	8	8	2	1	(1)	(7)
Total								
Number of Airport Destinations	113	111	105	101	5	3	(1)	(9)
Average Daily Departures	624	660	575	570	16	29	(45)	(85)

Source: BACK Aviation Solutions and Official Airline Guide Inc, Published Nonstop Departures, 2000-2002.

Comparing the trends in January 2001 and August 2001 shows changes in air service before and after the TWA acquisition. In January 2001, the Airport had 624 average daily nonstop departures to 113 airport destinations – an increase of 16 departures and five destinations over January 2000. In August 2001, four months after the TWA sale closed, the Airport had 660 average daily nonstop departures to 111 airport destinations – an increase of 29 departures and three destinations over August 2000. These trends show no indication of a scaling down of service at the Airport after the TWA acquisition.

Comparing the trends in August 2001 and October 2001 shows changes in air service before and immediately after the September 11, 2001 Events. In October 2001, the Airport had 575 average daily nonstop departures to 105 airport destinations – 85 fewer departures and six fewer destinations compared to August 2001, and 45 fewer departures and one fewer destination compared to October 2000. These trends show the significant reduction in service at the Airport after the September 11, 2001 Events.

The data for June 2002 show further reduction in the number of departures and destinations from the Airport – reflecting continuing efforts by airlines to streamline operations to reduce costs and to better align supply with the reduced demand for air travel post-September 11. In June 2002, the Airport had 570 average daily nonstop departures to 101 destinations – five fewer departures and four fewer destinations compared to October 2001, and 85 fewer departures and nine fewer destinations compared to June 2001.

Table IV-10 lists the top 20 domestic O&D markets served by the Airport in CY 2001. The Airport's top 20 O&D markets are geographically dispersed and consist of six short-haul routes (within 500 air miles from the Airport), eight medium-haul routes (over 500 air miles to 1,000 air miles from the Airport), and six long-haul routes (over 1,000 air miles from the Airport). Chicago, 267 air miles from St. Louis, ranked first with 8.5% of the Airport's domestic O&D passengers. Los Angeles, 1,597 air miles from St. Louis, ranked second with 4.4%, and New York City, 872 air miles away, ranked third with 4.3%.

According to the OAG Flight Guide dated June 15, 2002[6], at least two airlines offer direct or single-connection flights from the Airport to each of the top 20 domestic O&D markets, with the exception of Dallas. As of June 2002, there were approximately 236 average daily nonstop departures from the Airport to the top 20 O&D markets.

As of June 2002, the Airport had non-stop service to the following international destinations: Cancun, Mexico; Freeport, Bahamas; London, United Kingdom; Vancouver, Canada; and Toronto, Canada.

5. Air Cargo

The Airport handles a large volume of air cargo annually. **Table IV-11** shows that air cargo, which consists of freight and mail, increased from 246.2 million pounds in CY 1992 to approximately 269.4 million pounds in CY 2001. Total air cargo had been growing at 1.9% per year between CY 1992 and CY 2000, and then decreased 6.1% in CY 2001. Freight accounted for 78.8% of air cargo and decreased proportionately less than mail in CY 2001.

6. Aircraft Operations

Table IV-12 shows the FAA Tower record of aircraft operations at the Airport. The general trend shows an increase in commercial operations (combined air carrier and commuter/air taxi) and a decrease in general aviation and military operations. In CY 2001, the Airport processed 474,161 aircraft operations, of which 95.5% were commercial aircraft operations.

Commercial aircraft operations consist of air carrier operations and commuter/air taxi operations. Air carrier operations increased 3.0% per year, on average, between CY 1992 and CY 2000, and decreased 10.2% in CY 2001. Commuter/air taxi operations increased 0.1% per year between CY 1992 and CY 2000, and increased 28.4% in CY 2001. Commercial aircraft operations has historically grown at a slower rate than passenger traffic due to increasing load factors.

General aviation covers a wide range of aviation activities, including pilot training, recreational flying, sightseeing, corporate or personal flying, and movement of large heavy loads by

[6] Official Airline Guide, Inc., *OAG Flight Guide*, June 15, 2002.

TABLE IV-10
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
TOP TWENTY DOMESTIC O&D MARKETS
CY 2001

Rank	City	Airport(s)	Air Miles from STL[1]	Share of Domestic O&D Passengers[2]	Avg. Daily Nonstop Departures As of June 2002[3]
1	Chicago, IL	ORD, MDW	261	8.5%	30.0
2	Los Angeles, CA	LAX, ONT, SNA	1,597	4.4%	11.1
3	New York, NY	EWR, LGA, JFK	872	4.3%	19.1
4	Detroit/Ann Arbor, MI	DTW	453	3.7%	15.9
5	Baltimore, MD	BWI	726	3.6%	8.3
6	Kansas City, MO	MCI	239	3.1%	8.8
7	Dallas, TX	DFW	547	3.1%	11.8
8	Orlando, FL	MCO	861	2.9%	8.8
9	San Francisco, CA	SFO, SJC	1,743	2.8%	6.9
10	Houston, TX	IAH, HOU	684	2.7%	16.4
11	Phoenix, AZ	PHX	1,268	2.7%	14.5
12	Atlanta, GA	ATL	469	2.3%	11.6
13	Las Vegas, NV	LAS	1,378	2.3%	5.1
14	Florida South, FL	FLL, MIA	1,055	2.2%	7.7
15	Tampa/St. Petersburg, FL	TPA	857	2.1%	5.5
16	Denver, CO	DEN	778	2.1%	13.5
17	Minneapolis/St. Paul, MN	MSP	461	2.0%	13.4
18	Cleveland, OH	CLE	481	2.0%	12.1
19	Washington, DC	DCA, IAD	707	1.8%	9.7
20	Seattle, WA	SEA	1,717	1.7%	5.5
	Top 20 cities			60.3%	235.5
	All other cities			39.7%	326.8
	TOTAL-Domestic			**100.0%**	**562.3**

[1] OAG Flight Guide, May 2002.
[2] BACK Aviation Solutions and U.S. Department of Transportation OD1A Database.
[3] BACK Aviation Solutions and Official Airline Guide Inc., Published Nonstop Departures, June 2002.

TABLE IV-11
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
HISTORICAL AIR CARGO (In Pounds)
1992-2002

	Freight		Mail		
Year	Pounds	Share	Pounds	Share	Total
CY 1992	182,369,502	74.1%	63,840,674	25.9%	246,210,176
1993	173,670,151	71.6%	68,933,027	28.4%	242,603,178
1994	206,420,853	73.4%	74,947,308	26.6%	281,368,161
1995	199,295,887	70.9%	81,936,946	29.1%	281,232,833
1996	197,912,443	68.3%	91,882,960	31.7%	289,795,403
1997	186,984,794	68.8%	84,932,798	31.2%	271,917,592
1998	214,406,126	73.3%	78,161,440	26.7%	292,567,566
1999	211,601,498	73.2%	77,378,841	26.8%	288,980,339
2000	214,749,669	74.8%	72,268,005	25.2%	287,017,674
CY 2001	212,177,374	78.8%	57,236,399	21.2%	269,413,773
FY 1999	212,210,557	73.3%	77,140,818	26.7%	289,351,375
FY 2000	215,766,693	74.0%	75,701,181	26.0%	291,467,874
FY 2001	215,879,453	75.9%	68,617,309	24.1%	284,496,762
FY 2002	192,103,187	72.5%	72,800,856	27.5%	264,904,043
Average Annual Growth Rate					
CY 1992-2000	2.1%		1.6%		1.9%
CY 2000-2001	-1.2%		-20.8%		-6.1%
FY 1999-2001	0.9%		-5.7%		-0.8%
FY 2001-2002	-11.0%		6.1%		-6.9%

Source: Airport management.

TABLE IV-12
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
AIRCRAFT OPERATIONS
1992-2002

Year	Air Carrier[1]	Commuter/ Air Taxi	General Aviation	Military	Total
CY 1992	273,069	109,268	36,573	8,845	427,755
1993	283,579	115,171	45,508	9,010	453,268
1994	317,576	116,161	38,744	7,462	479,943
1995	351,291	123,123	37,693	7,049	519,156
1996	357,916	117,103	33,083	5,837	513,939
1997	364,499	117,789	29,544	5,057	516,889
1998[2]	341,282	130,244	27,468	4,899	503,893
1999[2]	306,422	166,819	23,837	4,307	501,385
2000	346,637	110,190	20,639	3,559	481,025
CY 2001	311,423	141,443	17,761	3,534	474,161
FY 1999[2]	287,423	185,134	25,858	4,866	503,281
FY 2000[2]	357,149	110,735	22,813	3,867	494,564
FY 2001	322,943	138,020	19,433	3,545	483,941
FY 2002	304,911	127,700	16,311	2,716	451,638
Average Annual Growth Rate					
CY 1992-2000	3.0%	0.1%	-6.9%	-10.8%	1.5%
CY 2000-2001	-10.2%	28.4%	-13.9%	-0.7%	-1.4%
FY 1999-2001	6.0%	-13.7%	-13.3%	-14.6%	-1.9%
FY 2001-2002	-5.6%	-7.5%	-16.1%	-23.4%	-6.7%

[1] Air carrier operations include passenger and all-cargo carrier operations.

[2] The FAA tower reports show unusually high numbers of operations for commuters and unusually low numbers of operations for air carriers during the months of November and December 1998, and January through June 1999. The FAA tower indicated that the data were corrupted due to a computer-related problem.

Source: Airport management (based on FAA tower reports).

helicopter. General aviation operations at the Airport have declined in share and number due to the transfer of many general aviation operations to smaller general aviation airports. The decline in the number of general aviation operations at the Airport is consistent with the nationwide trend of decline that resulted from the high cost of owning and operating general aviation aircraft and other economic reasons. Military operations at the Airport are conducted mostly by the Missouri Air National Guard and have also declined significantly in recent years.

7. Commercial Aircraft Landings and Landed Weight

Table IV-13 presents historical data on commercial aircraft landings and landed weight, based on Airport management records. Total commercial aircraft landings decreased from 236,006 in CY 1997 to 222,318 in CY 2000 at an average rate of -2.0% per year, and then increased slightly to 223,012 in CY 2001 due mainly to the increase in regional aircraft landings. On the other hand, total landed weight increased from 23.8 billion pounds in CY 1997 to 24.1 billion pounds in CY 2000 at 0.3% per year, and then decreased 3.9% to 23.1 billion pounds in CY 2001. The trends in total landed weight diverge from the trends in aircraft landings because of changes in the mix of aircraft over time – initially toward the use of larger and heavier aircraft, and recently toward the use of smaller aircraft such as regional jets and commuter aircraft.

8. Enplanements, Passenger Aircraft Departures, and Enplanements per Departure

Table IV-14 presents the trends in enplanements, passenger aircraft departures, and enplanements per departure over the last five years. Between CY 1997 and CY 2000, enplanements increased 3.5% per year while aircraft departures decreased 2.0% per year. In particular, air carrier and regional aircraft had been carrying an increasing number of passengers per departure. This trend reflects the increased use of larger aircraft at the Airport and the increase in boarding load factors. Overall, the average number of enplanements per departure increased from 59.4 in CY 1997 to 69.9 in CY 2000.

In CY 2001, enplanements decreased significantly from the previous year, particularly during the last quarter (after the September 11, 2001 Events). At the Airport, airlines adjusted capacity by reducing air carrier departures and increasing regional aircraft departures, resulting in a minimal increase in total aircraft departures. The average number of enplanements per departure decreased to 61.0. Air carriers primarily suffered the reduction in passenger load.

Table IV-15 tracks the monthly change in enplanements, passenger aircraft departures, and enplanements per departure during the periods July 2000-June 2001 (FY 2001) and July 2001-June 2002 (FY 2002). The purpose of this table is to show how airlines have adjusted aircraft departures in response to the overall decrease in enplanements in recent months.

TABLE IV-13
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
COMMERCIAL AIRCRAFT LANDINGS AND LANDED WEIGHT
1997-2002

Year	Air Carrier	Regional	Charter[1]	Cargo	Total
			AIRCRAFT LANDINGS		
CY 1997	175,562	55,799	491	4,154	236,006
1998	174,139	52,674	675	4,286	231,774
1999	175,042	50,327	1,693	4,198	231,260
2000	168,052	48,538	1,921	3,807	222,318
CY 2001	160,712	57,104	1,466	3,730	223,012
FY 1999	173,995	52,062	1,146	4,307	231,510
FY 2000	173,086	48,419	1,868	4,038	227,411
FY 2001	165,808	53,960	1,785	3,929	225,482
FY 2002	147,380	59,583	1,178	3,065	211,206
			Avg. Annual Growth Rate		
CY 1997-2000	-1.4%	-4.5%	57.6%	-2.9%	-2.0%
CY 2000-2001	-4.4%	17.6%	-23.7%	-2.0%	0.3%
FY 1999-2001	-2.4%	1.8%	24.8%	-4.5%	-1.3%
FY 2001-2002	-11.1%	10.4%	-34.0%	-22.0%	-6.3%
			TOTAL LANDED WEIGHT (Thousand Pounds)		
CY 1997	21,786,451	1,382,928	-	671,003	23,840,381
1998	21,111,631	1,293,509	61,596	807,395	23,274,130
1999	21,861,025	1,230,049	94,253	664,696	23,850,023
2000	21,740,234	1,519,590	105,617	693,121	24,058,561
CY 2001	20,417,996	1,839,293	159,315	708,524	23,125,128
FY 1999	21,298,134	1,278,446	78,142	765,963	23,420,686
FY 2000	22,226,658	1,305,732	68,136	674,271	24,274,796
FY 2001	21,124,616	1,779,084	171,204	736,107	23,811,011
FY 2002	19,541,737	1,925,495	115,924	614,245	22,197,401
			Avg. Annual Growth Rate		
CY 1997-2000	-0.1%	3.2%	-	1.1%	0.3%
CY 2000-2001	-6.1%	21.0%	50.8%	2.2%	-3.9%
FY 1999-2001	-0.4%	18.0%	48.0%	-2.0%	0.8%
FY 2001-2002	-7.5%	8.2%	-32.3%	-16.6%	-6.8%
			AVG. LANDED WEIGHT PER AIRCRAFT (Pounds)		
CY 1997	124,095	24,784	-	161,532	101,016
1998	121,234	24,557	91,253	188,380	100,417
1999	124,890	24,441	55,672	158,336	103,131
2000	129,366	31,307	54,980	182,065	108,217
CY 2001	127,047	32,210	108,673	189,953	103,695
FY 1999	122,407	24,556	68,187	177,841	101,165
FY 2000	128,414	26,967	36,475	166,982	106,744
FY 2001	127,404	32,970	95,913	187,352	105,600
FY2002	132,594	32,316	98,407	200,406	105,098
			Avg. Annual Growth Rate		
CY 1997-2000	1.4%	8.1%	-	4.1%	2.3%
CY 2000-2001	-1.8%	2.9%	97.7%	4.3%	-4.2%
FY 1999-2001	2.0%	15.9%	18.6%	2.6%	2.2%
FY 2001-2002	4.1%	-2.0%	2.6%	7.0%	-0.5%

[1] The Airport has incomplete data on charter operations.

Source: Airport management.

TABLE IV-14
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
ENPLANEMENTS, DEPARTURES, AND ENPLANEMENTS PER DEPARTURE
1997-2002

Year	Air Carrier	Regional	Charter	Total
ENPLANEMENTS				
CY 1997	12,875,807	896,382	48,390	13,820,579
1998	13,400,795	877,735	55,799	14,334,329
1999	14,158,301	814,528	120,152	15,092,981
2000	14,242,958	909,768	148,852	15,301,578
CY 2001	12,171,972	1,097,837	119,784	13,389,593
FY 1999	13,610,173	871,815	81,434	14,563,422
2000	14,316,192	808,911	134,054	15,259,157
2001	13,766,528	1,071,465	145,555	14,983,548
FY 2002	11,251,339	1,274,379	111,523	12,637,241
Avg. Annual Growth Rate				
CY 1997-2000	3.4%	0.5%	45.4%	3.5%
CY 2000-2001	-14.5%	20.7%	-19.5%	-12.5%
FY 1999-2001	0.6%	10.9%	33.7%	1.4%
FY 2001-2002	-18.3%	18.9%	-23.4%	-15.7%
AIRCRAFT DEPARTURES				
CY 1997	175,721	56,327	497	232,545
1998	174,630	54,027	694	229,351
1999	175,255	50,664	1,696	227,615
2000	168,387	48,756	1,918	219,061
CY 2001	160,981	56,837	1,511	219,329
FY 1999	174,266	53,022	1,147	228,435
2000	173,352	48,604	1,868	223,824
2001	166,257	54,277	1,830	222,364
FY 2002	147,318	59,176	1,179	207,673
Avg. Annual Growth Rate				
CY 1997-2000	-1.4%	-4.7%	56.9%	-2.0%
CY 2000-2001	-4.4%	16.6%	-21.2%	0.1%
FY 1999-2001	-2.3%	1.2%	26.3%	-1.3%
FY 2001-2002	-11.4%	9.0%	-35.6%	-6.6%
ENPLANEMENTS PER DEPARTURE				
CY 1997	73.3	15.9	97.4	59.4
1998	76.7	16.2	80.4	62.5
1999	80.8	16.1	70.8	66.3
2000	84.6	18.7	77.6	69.9
CY 2001	75.6	19.3	79.3	61.0
FY 1999	78.1	16.4	71.0	63.8
2000	82.6	16.6	71.8	68.2
2001	82.8	19.7	79.5	67.4
FY 2002	76.4	21.5	94.6	60.9
Avg. Annual Growth Rate				
CY 1997-2000	4.9%	5.4%	-7.3%	5.5%
CY 2000-2001	-10.6%	3.5%	2.1%	-12.6%
FY 1999-2001	3.0%	9.6%	5.8%	2.8%
FY 2001-2002	-7.8%	9.1%	18.9%	-9.7%

Source: Airport management data on enplanements and departures.

TABLE IV-15
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
MONTHLY PERCENTAGE CHANGE IN ENPLANEMENTS, AIRCRAFT DEPARTURES, AND ENPLANEMENTS PER DEPARTURE
July 2000-June 2002

Fiscal Year/	Change in Enplanements[1]				Change in Aircraft Departures[1]				Change in Enplanements per Departure[1]			
Month	Air Carrier	Regional	Charter	Total	Air Carrier	Regional	Charter	Total	Air Carrier	Regional	Charter	Total
FY 2001												
Jul-00	-1.3%	11.3%	56.6%	-0.3%	-4.4%	-9.3%	31.6%	-5.3%	3.2%	22.8%	19.0%	5.3%
Aug-00	1.8%	21.3%	28.1%	3.0%	-4.6%	-6.6%	16.2%	-4.9%	6.7%	29.8%	10.2%	8.3%
Sep-00	2.9%	19.3%	21.4%	3.9%	-4.6%	1.3%	3.5%	-3.2%	7.8%	17.8%	17.3%	7.4%
Oct-00	0.2%	30.8%	35.9%	2.1%	-5.9%	8.3%	4.3%	-2.7%	6.5%	20.8%	30.3%	5.0%
Nov-00	-3.3%	33.4%	11.7%	-1.4%	-5.3%	8.3%	-11.0%	-2.5%	2.1%	23.2%	25.5%	1.1%
Dec-00	-6.8%	41.1%	-5.6%	-4.6%	-8.9%	3.5%	-3.6%	-6.3%	2.3%	36.4%	-2.1%	1.8%
Jan-01	-0.4%	49.3%	-17.8%	1.8%	0.8%	21.2%	21.7%	5.4%	-1.2%	23.2%	-32.4%	-3.3%
Feb-01	-10.1%	46.6%	12.7%	-6.9%	-7.0%	14.6%	-8.4%	-2.3%	-3.3%	28.0%	23.1%	-4.7%
Mar-01	-5.9%	36.8%	-1.2%	-3.5%	-3.1%	24.2%	-5.7%	2.8%	-2.9%	10.1%	4.8%	-6.1%
Apr-01	-6.1%	38.7%	-6.1%	-3.5%	-4.1%	19.5%	-18.3%	1.0%	-2.1%	16.1%	15.0%	-4.4%
May-01	-7.7%	38.7%	-15.8%	-5.1%	-0.6%	30.2%	-18.2%	5.9%	-7.2%	6.5%	3.0%	-10.4%
Jun-01	-9.4%	31.0%	3.5%	-7.1%	-1.3%	29.5%	-21.1%	5.1%	-8.2%	1.1%	31.2%	-11.6%
Total-FY 2001	**-3.8%**	**32.5%**	**8.6%**	**-1.8%**	**-4.1%**	**11.7%**	**-1.8%**	**-0.7%**	**0.3%**	**18.6%**	**10.6%**	**-1.2%**
FY 2002												
Jul-01	-5.3%	31.8%	-27.1%	-3.5%	1.9%	30.9%	-18.9%	7.8%	-7.1%	0.7%	-10.2%	-10.5%
Aug-01	-12.1%	24.0%	-24.4%	-10.1%	0.3%	27.7%	-17.0%	6.2%	-12.4%	-2.9%	-8.9%	-15.3%
Sep-01	-46.0%	-22.9%	-36.7%	-44.4%	-15.6%	-5.2%	-20.9%	-13.3%	-36.0%	-18.7%	-20.0%	-35.9%
Oct-01	-29.6%	-13.6%	-50.1%	-28.7%	-6.0%	-8.2%	-52.4%	-6.9%	-25.1%	-5.8%	4.8%	-23.4%
Nov-01	-23.6%	-6.0%	-43.8%	-22.6%	-11.3%	0.9%	-52.9%	-8.7%	-13.9%	-6.8%	19.3%	-15.2%
Dec-01	-19.3%	20.8%	-35.2%	-16.7%	-8.3%	17.7%	-58.3%	-2.6%	-12.1%	2.6%	55.6%	-14.5%
Jan-02	-18.1%	31.7%	-9.2%	-14.4%	-15.0%	11.1%	-37.2%	-8.8%	-3.6%	18.6%	44.5%	-6.1%
Feb-02	-12.1%	40.9%	-17.9%	-7.9%	-14.1%	14.7%	-31.2%	-6.9%	2.4%	22.8%	19.3%	-1.1%
Mar-02	-16.1%	29.1%	-43.4%	-12.9%	-17.5%	2.5%	-59.3%	-12.6%	1.6%	26.0%	39.2%	-0.3%
Apr-02	-13.7%	26.7%	-16.4%	-10.4%	-15.6%	8.2%	-40.6%	-9.6%	2.3%	17.1%	40.6%	-0.9%
May-02	-11.2%	29.2%	-3.6%	-7.8%	-18.3%	6.5%	-33.1%	-11.8%	8.7%	21.3%	44.0%	4.6%
Jun-02	-13.4%	29.4%	35.5%	-9.6%	-18.5%	6.4%	-5.8%	-11.9%	6.2%	21.6%	43.9%	2.6%
Total-FY 2002	**-18.3%**	**18.9%**	**-23.0%**	**-15.7%**	**-11.4%**	**9.0%**	**-35.6%**	**-6.6%**	**-7.8%**	**9.1%**	**19.5%**	**-9.7%**

[1] Change over the same period in the previous fiscal year.

Source: Airport management data on enplanements and departures.

Table IV-15 shows the following trends:

- Since FY 2001, airlines have reduced air carrier departures in response to reduced demand for air travel. For the entire FY 2001, air carrier enplanements were down 3.8% from the prior year and air carrier departures were down 4.1%. In September 2001, air carrier enplanements dropped 46.0% from the September 2000 level, and airlines operated 15.6% fewer air carrier departures. During the months following September 2001, airlines operated between 6.0% and 18.5% fewer air carrier departures than in the previous year. For the entire FY 2002, air carrier departures were down 11.4% from the previous year. The average number of enplanements per departure decreased significantly in September and October 2001, then gradually increased, and recorded improvements over the previous year's levels beginning in February 2002.

- Regional enplanements have generally increased as airlines hand off routes to regional partners[7] to align capacity with demand more efficiently. Aircraft departures have been increasing since September 2000 and at high rates during the period January -August 2001. The growth in regional aircraft departures was temporarily set back in September and October 2001, but resumed in subsequent months. Over the entire FY 2001, regional enplanements increased 32.5% and aircraft departures increased 11.7%. During FY 2002, regional enplanements increased 18.9% and regional aircraft departures increased 9%. The average number of enplanements per regional aircraft departure has also been generally increasing.

- In FY 2001, charter enplanements increased 8.6%, while charter departures decreased 1.8%. In FY 2002, charter enplanements decreased 23.0% and charter departures decreased 35.6%. The average number of enplanements per charter aircraft departure has been generally increasing.

B. AMERICAN AIRLINES: AIR SERVICE AT LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

The Airport served as TWA's largest system hub from December 1982 through April 9, 2001. On April 9, 2001, TWA sold substantially all of its assets to AMR Sub and assigned to AMR Sub all agreements and leases between TWA and the City. AMR Sub continued to operate a system hub at the Airport, and, beginning in December 2001, integrated TWA's operations with those of American. American, the nation's largest airline, now operates its third largest system hub at the Airport. During CY 2001, American (together with TWA) and regional partners accounted for 76.6% of total enplanements, 57.2% of O&D enplanements, and 94.2% of connecting enplanements. During CY 2001, American and regional partners also accounted for 68.6% of international enplanements.

Table IV-16 shows the combined historical activity of American, TWA, and regional partners (Chautauqua, Corporate, and Trans States) at the Airport over the last five years. Henceforth, the

[7] Many regional carriers are smaller, independent companies.

report will refer to the combined activity of American and TWA as American's air carrier activity, the combined activity of Chautauqua, Corporate, and Trans States as American's regional activity, and the total of air carrier activity and regional activity as American's system activity.

The growth in American's system enplanements has driven the growth in traffic at the Airport. Between CY 1997 and 2000, total system enplanements by American at the Airport increased 4% per year, outpacing the 1.5% average annual growth in the combined enplanements of all other airlines serving the Airport. The growth in American's system enplanements at the Airport resulted mainly from the growth in air carrier traffic as regional enplanements were decreasing between CY 1997 and CY 2000. Total aircraft departures had been decreasing, particularly for American's regional carriers; however, load factors improved as indicated by the increase in enplanements per departure.

TABLE IV-16
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
AMERICAN AIRLINES: ENPLANEMENTS, DEPARTURES, AND ENPLANEMENTS PER DEPARTURE
1997-2002

	Enplanements			Departures			EP per Departure		
Year	Air Carrier[1]	Regional[2]	Total	Air Carrier[1]	Regional[2]	Total	Air Carrier[1]	Regional[2]	Total
CY 1997	9,948,046	771,501	10,719,547	127,204	51,335	178,539	78.2	15.0	60.0
1998	10,496,474	729,774	11,226,248	127,699	48,217	175,916	82.2	15.1	63.8
1999	11,248,498	641,916	11,890,414	128,774	44,428	173,202	87.4	14.4	68.7
2000	11,394,205	669,116	12,063,321	124,681	40,992	165,673	91.4	16.3	72.8
CY 2001	9,441,611	820,997	10,262,608	118,717	47,621	166,338	79.5	17.2	61.7
FY 1999	10,698,193	705,253	11,403,446	127,707	47,172	174,879	83.8	15.0	65.2
2000	11,425,309	619,475	12,044,784	127,978	41,683	169,661	89.3	14.9	71.0
2001	10,912,355	806,725	11,719,080	123,014	45,855	168,869	88.7	17.6	69.4
FY 2002	8,746,606	994,676	9,741,282	107,020	48,979	155,999	81.7	20.3	62.4
				Avg. Annual Growth Rate					
CY 1997-2000	4.6%	-4.6%	4.0%	-0.7%	-7.2%	-2.5%	5.3%	2.8%	6.6%
CY 2000-2001	-17.1%	22.7%	-14.9%	-4.8%	16.2%	0.4%	-13.0%	5.6%	-15.3%
FY 1999-2001	1.0%	7.0%	1.4%	-1.9%	-1.4%	-1.7%	2.9%	8.5%	3.2%
FY 2001-2002	-19.8%	23.3%	-16.9%	-13.0%	6.8%	-7.6%	-7.9%	15.4%	-10.0%

[1] Combined activity of American and Trans World Airways.
[2] Combined activity of Chautauqua, Corporate Air and Trans States.
Source: Airport management

In CY 2001, total system enplanements by American at the Airport fell nearly 14.9% from the previous year's level – more sharply than experienced by other airlines at the Airport (-3.4%) and the entire industry nationwide (-6.9%). During this year, TWA filed for bankruptcy protection, was acquired by American, and its operations were integrated into American's – these events affected American's system activity at the Airport more directly than at other airports. In addition, the September 11, 2001 Events involved terrorist attacks on two American aircraft and caused American's traffic nationwide to drop more sharply than most other airlines.

In CY 2001, growth shifted from air carrier to regional activity. American's air carrier enplanements at the Airport decreased 17.1%, while regional enplanements increased 22.7%.

Similarly, air carrier departures decreased 4.8% for the entire year, while regional departures increased 16.2%.

Monthly data in **Table IV-17** show that the significant growth in American's regional activity began in the summer of 2000. The growth rate of regional enplanements began to outpace the growth rate of air carrier enplanements in August 2000 and continued at high double-digit rates even as air carrier enplanements began to decrease in November 2000.[8] The growth in regional enplanements was followed by corresponding growth in regional departures, which began in October 2000. Following the September 11, 2001 Events, American posted decreases in regional enplanements and departures in September, October, and November 2001, albeit proportionately smaller than decreases in air carrier enplanements and departures. The growth in regional activity resumed in December 2001, even as air carrier activity continued to post decreases compared to the same month in the previous year.

Overall the recent trends reflect an expansion of regional service to substitute for large jet service in relatively smaller markets, to complement large jet service during off-peak, to increase service to existing markets, and to bring service to new markets. Recently American requested the conversion of 15 of its 57 gates at the Airport for use by regional jets, indicating continued expansion of regional service at the Airport.

Table IV-18 shows the scheduled service published by American (together with TWA prior to integration) and regional partners before the TWA acquisition (June 2000), after the acquisition and before the September 11, 2001 Events (June 2001), and after the September 11, 2001 Events (June 2002). Table IV-18 compares the average daily departures and number of destinations for the same month each year to control for seasonal changes. The data also show the shift in the growth of American's activity at the Airport in favor of regional service. There was a significant increase in the number of departures and destinations served by American's regional partners from June 2000 to June 2001, and the published departures and destinations in June 2002 were near pre-September 11 levels. These trends contrast with the decreases in air carrier departures and destinations published in June 2001 and June 2002.

In April 2002, Unison conducted a detailed review of recent trends in American's operations at the Airport. Unison examined three activity indicators, namely, enplanements, aircraft departures, and destinations served from the Airport for selected months before and after the acquisition of TWA, and before and after the September 11, 2001 Events. The trends observed at the Airport were compared with the trends in American's operations at other American hub airports, namely, Dallas/Fort Worth International Airport (DFW), John F. Kennedy International Airport (JFK), Los Angeles International Airport (LAX), Miami International Airport (MIA), and Chicago O'Hare International Airport (ORD). The study showed that the changes in

[8] The monthly growth rate represents the percentage change in activity during a particular month over the same month in the previous year.

TABLE IV-17
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
AMERICAN AIRLINES: MONTHLY ENPLANEMENTS AND AIRCRAFT DEPARTURES
July 2000 - June 2002

Fiscal Year/	Enplanements						Passenger Aircraft Departures					
Month	Air Carrier[2]	Change[1]	Regional[3]	Change[1]	Total	Change[1]	Air Carrier[2]	Change[1]	Regional[3]	Change[1]	Total	Change[1]
FY 2001												
Jul-00	1,090,313	-0.2%	54,330	-2.6%	1,144,643	-0.3%	10,859	-3.5%	3,260	-15.2%	14,119	-6.5%
Aug-00	1,079,621	3.2%	58,854	7.8%	1,138,475	3.5%	11,088	-3.9%	3,509	-11.4%	14,597	-5.9%
Sep-00	925,462	3.2%	56,224	11.4%	981,686	3.6%	10,226	-3.9%	3,360	-2.7%	13,586	-3.6%
Oct-00	973,785	0.0%	67,836	22.0%	1,041,621	1.2%	10,466	-6.0%	3,831	5.8%	14,297	-3.1%
Nov-00	890,328	-3.7%	62,513	25.8%	952,841	-2.2%	9,880	-5.2%	3,542	4.6%	13,422	-2.8%
Dec-00	813,999	-6.5%	58,740	37.5%	872,739	-4.5%	9,618	-7.9%	3,376	2.2%	12,994	-5.5%
Jan-01	765,685	-1.5%	56,763	39.3%	822,448	0.5%	10,499	2.2%	3,882	17.8%	14,381	6.0%
Feb-01	709,697	-11.7%	59,834	34.9%	769,531	-9.2%	9,206	-6.4%	3,662	10.7%	12,868	-2.1%
Mar-01	939,925	-7.5%	79,738	46.5%	1,019,663	-4.7%	10,379	-3.2%	4,364	28.2%	14,743	4.3%
Apr-01	854,497	-8.0%	82,523	47.0%	937,020	-4.8%	9,852	-5.6%	4,252	23.4%	14,104	1.6%
May-01	908,161	-9.4%	83,646	47.6%	991,807	-6.4%	10,602	-0.7%	4,532	34.1%	15,134	7.7%
Jun-01	960,882	-12.1%	85,724	47.2%	1,046,606	-9.1%	10,339	-2.5%	4,285	30.6%	14,624	5.3%
Total-FY 2001	**10,912,355**	**-4.5%**	**806,725**	**30.2%**	**11,719,080**	**-2.7%**	**123,014**	**-3.9%**	**45,855**	**10.0%**	**168,869**	**-0.5%**
FY 2002												
Jul-01	965,178	-11.5%	79,996	47.2%	1,045,174	-8.7%	10,990	1.2%	4,435	36.0%	15,425	9.2%
Aug-01	899,132	-16.7%	76,615	30.2%	975,747	-14.3%	11,035	-0.5%	4,498	28.2%	15,533	6.4%
Sep-01	481,247	-48.0%	39,550	-29.7%	520,797	-46.9%	8,659	-15.3%	3,054	-9.1%	11,713	-13.8%
Oct-01	656,975	-32.5%	51,221	-24.5%	708,196	-32.0%	9,841	-6.0%	3,289	-14.1%	13,130	-8.2%
Nov-01	665,097	-25.3%	55,217	-11.7%	720,314	-24.4%	8,619	-12.8%	3,487	-1.6%	12,106	-9.8%
Dec-01	635,135	-22.0%	70,170	19.5%	705,305	-19.2%	8,696	-9.6%	3,881	15.0%	12,577	-3.2%
Jan-02	622,733	-18.7%	81,543	43.7%	704,276	-14.4%	8,678	-17.3%	4,370	12.6%	13,048	-9.3%
Feb-02	641,501	-9.6%	95,144	59.0%	736,645	-4.3%	7,698	-16.4%	4,269	16.6%	11,967	-7.0%
Mar-02	788,365	-16.1%	108,809	36.5%	897,174	-12.0%	8,243	-20.6%	4,415	1.2%	12,658	-14.1%
Apr-02	749,639	-12.3%	103,052	24.9%	852,691	-9.0%	8,067	-18.1%	4,374	2.9%	12,441	-11.8%
May-02	806,670	-11.2%	105,385	26.0%	912,055	-8.0%	8,348	-21.3%	4,508	-0.5%	12,856	-15.1%
Jun-02	834,934	-13.1%	106,596	24.3%	941,530	-10.0%	8,146	-21.2%	4,399	2.7%	12,545	-14.2%
Total-FY 2002	**8,746,606**	**-19.8%**	**973,298**	**20.6%**	**9,719,904**	**-17.1%**	**107,020**	**-13.0%**	**48,979**	**6.8%**	**155,999**	**-7.6%**

[1] Change over the same period in the previous fiscal year.
[2] Combined activity of American and Trans World Airways.
[3] Combined activity of Chautauqua, Corporate Air and Trans States.

Source: Airport management

TABLE IV-18
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
AMERICAN AIRLINES: PUBLISHED NONSTOP DEPARTURES AND DESTINATIONS
June 2000, 2001, and 2002

	Air Carrier[1]			Regional[2]			Total - American[1,2]		
	Jun-00	Jun-01	Jun-02	Jun-00	Jun-01	Jun-02	Jun-00	Jun-01	Jun-02
Domestic									
Avg. Daily Departures	356	347	272	117	147	146	473	494	418
Number of Destinations	72	68	64	30	41	41	99	101	93
International									
Avg. Daily Departures	7	5	3	0	2	2	7	7	5
Number of Destinations	5	5	3	0	1	1	5	5	4
Total									
Avg. Daily Departures	362	353	275	117	149	148	479	502	423
Number of Destinations	77	73	67	30	42	42	104	106	97

[1] Combined activity of American and Trans World Airways.
[2] Combined activity of Chautauqua, Corporate Air and Trans States.

Source: BACK Aviation Solutions and Official Airline Guide Inc.

American's scheduled service at the Airport are not unique. Other American hub airports experienced similar service reductions. The observed transfer of routes from air carrier to regional partners is also not unique to the Airport, but a practice observed industry-wide to better match supply with demand in certain markets.[9]

Table IV-19 presents American's published nonstop departures and destinations from the Airport, DFW, and ORD in June 2000, 2001, and 2002. Among American's hub airports, DFW and ORD are the most similar to the Airport in terms of hub size and mid-continental location. **Table IV-19** confirms that American has reduced published non-stop departures from its two other major hubs in the middle of the United States. At ORD, we observe a similar shift in growth in favor of regional departures.

[9] Unison-Maximus, Inc., "Recent Trends in American's Operations at STL," *Working Paper*, April 19, 2002.

TABLE IV-19
AMERICAN AIRLINES: PUBLISHED NONSTOP DEPARTURES AND DESTINATIONS AT LAMBERT-ST. LOUIS, DALLAS-FORT WORTH, AND CHICAGO O' HARE INTERNATIONAL AIRPORTS
June 2000, 2001, and 2002

	Air Carrier[1]			Regional[2]			Total - American[1 2]		
	Jun-00	Jun-01	Jun-02	Jun-00	Jun-01	Jun-02	Jun-00	Jun-01	Jun-02
STL									
Avg. Daily Departures	362	353	275	117	149	148	479	502	423
Number of Destinations	77	73	67	30	42	42	107	115	109
DFW									
Avg. Daily Departures	520	526	461	253	224	194	773	751	655
Number of Destinations	104	105	107	40	40	41	144	145	148
ORD									
Avg. Daily Departures	343	352	336	154	167	170	497	519	506
Number of Destinations	72	74	77	32	37	42	104	111	119

[1] Combined departures by American and Trans World Airways.
[2] Combined departures by Chautauqua, Corporate Air and Trans States at STL, and departures by American Eagle at DFW and ORD.

Source: BACK Aviation Solutions and Official Airline Guide Inc.

C. SOUTHWEST AIRLINES: AIR SERVICE AT LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

Southwest began service at the Airport in 1985. Southwest operations at the Airport grew rapidly in the early 1990s as Southwest expanded its fleet and operations nationwide. In recent years the growth in Southwest's fleet has leveled off, limiting the allocation of aircraft to the Airport. Consequently, Southwest activity at the Airport has grown more slowly in recent years, but has continued to account for the second largest market share at the Airport. During CY 2001, Southwest accounted for 12.8% of total Airport enplanements, 20.6% of O&D enplanements, and 5.8% of connecting enplanements.

Table IV-20 shows enplanements, aircraft departures, and enplanements per departure by Southwest at the Airport over the last five years. Between CY 1997 and CY 2000, enplanements by Southwest increased 3.1% per year, while departures decreased 1.6% per year on average. As a result, the average number of enplanements per departures by Southwest at the Airport increased, indicating an improvement in boarding load factor. In CY 2001, Southwest enplanements decreased 4.2%, aircraft departures decreased 3.7%, and the average number of enplanements per departure decreased 0.5%.

TABLE IV-20
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
SOUTHWEST AIRLINES: ENPLANEMENTS, DEPARTURES AND ENPLANEMENTS PER DEPARTURE
1997-2002

Year	Enplanements	Departures	EP per Departure
CY 1997	1,632,787	30,332	53.8
1998	1,732,581	29,976	57.8
1999	1,705,414	30,008	56.8
2000	1,788,794	28,931	61.8
CY 2001	1,713,070	27,854	61.5
FY 1999	1,706,197	29,891	57.1
2000	1,769,659	29,747	59.5
2001	1,786,594	28,641	62.4
FY 2002	1,554,290	26,328	59.0
Avg. Annual Growth Rate			
CY 1997-2000	3.1%	-1.6%	4.7%
CY 2000-2001	-4.2%	-3.7%	-0.5%
FY 1999-2001	2.3%	-2.1%	4.5%
FY 2001-2002	-13.0%	-8.1%	-5.4%

Source: Airport management

Table IV-21 summarizes Southwest's published nonstop departures and destinations from the Airport for June in 2000, 2001 and 2002, and compares them with Southwest's published nonstop departures and destinations from Dallas Love Field (DAL) and William P. Hobby Airport (HOU). The schedule of Southwest departures from the Airport for June 2002 shows a reduction in service compared to June 2001. The schedules of Southwest departures from DAL and HOU show similar service reductions in June 2002 compared to June 2001.

In December 2001, Unison conducted a study of the detailed trends in Southwest's service at the Airport and other airports that Southwest serves. The study found that the reduction in Southwest service was not unique to the Airport. For example, in December 2001, Southwest reduced scheduled departures at 38 out of the 59 airports that it serves. After September 11, Southwest deferred delivery of new aircraft orders, and, according to Southwest's Schedule Planning, Southwest reduced flights in existing markets to cover new service that had already been announced. Southwest also constantly reviews its schedules and occasionally makes adjustments to reflect the relative economic strengths of different markets.[10]

[10] Unison-Maximus, Inc., "Current Trends in Southwest Service at STL," *Working Paper*, December 11, 2001.

TABLE IV-21
SOUTHWEST AIRLINES: PUBLISHED NONSTOP DEPARTURES AND DESTINATIONS AT LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT, DALLAS LOVE FIELD AND HOBBY AIRPORT
June 2000, 2001, and 2002

	Jun-00	Jun-01	Jun-02
STL			
Avg. Daily Departures	80	80	71
Number of Destinations	21	22	20
DAL			
Avg. Daily Departures	128	127	119
Number of Destinations	14	14	13
HOU			
Avg. Daily Departures	140	142	133
Number of Destinations	24	25	25

Source: BACK Aviation Solutions and Official Airline Guide Inc.

D. FORECASTS OF AVIATION ACTIVITY

There are various methodologies for forecasting. The industry has traditionally relied upon judgmental estimation, trendline fitting, and variants of trend extrapolation – methods that are either highly subjective or heavily reliant on replicating past trends. They fail to consider market factors that determine traffic levels, and the resulting forecasts may be flawed to the extent that future market conditions deviate significantly from the past. Consequently they offer limited use for examining the sensitivity of air travel demand to changes in market conditions.

To develop forecasts of enplanements at the Airport, Unison uses multivariate regression analysis – a methodology that combines econometric modeling techniques with knowledge of the Airport market. Multivariate regression provides a systematic framework for summarizing historical trends, quantifying economic relationships, and linking forecasts to projected changes in the economy and the airline industry. This approach reduces subjective input and therefore minimizes forecast errors. Recognizing its technical merits, the FAA also uses regression analysis to develop the twelve-year aviation forecasts for the nation.[11]

Forecasts are necessarily imprecise because many factors can influence future trends. Models are simplified descriptions of the real world and cannot account for all possible market factors and interactions; and no one can predict exactly how these factors will behave in the future. Uncertainty can be addressed by performing sensitivity analysis, which can be done systematically within the regression framework.

[11] FAA, *Aerospace Forecasts*, various issues from 1997.

Sensitivity analysis is particularly important in the aftermath of the September 11, 2001 Events. The immediate impact of the September 11, 2001 Events is clear: the demand for air travel declined as consumers feared further terrorist attacks. Traffic is now rebounding as consumers are regaining confidence in the safety of air travel. However, tighter security at airports has increased the money and time costs of travel and has created another disincentive for air travel particularly on short-haul trips. The long-term impact on the demand for air travel remains uncertain. The negative effect could be permanent due to the added cost of tighter security; and from post-September 11 depressed levels, travel demand would grow at moderate rates along with the expansion of the economy and the continuing decline in air fares. Or the negative effect could be transitory – as most participants in the industry expect, and traffic would recover strongly, post high growth rates in the medium term, and eventually return to moderate growth in the long term. The uncertainty of the effects of the September 11, 2001 Events calls for a consideration of base and sensitivity forecasts of air traffic activity associated with the alternative paths of demand recovery.

The September 11, 2001 Events may have also distorted historical relationships between the demand for air travel and market factors particularly in the short run, and these distortions may not be fully captured by econometric models. Therefore we supplement the regression analysis with information on airline schedules for FY 2003 and industry expectations regarding traffic recovery, capacity adjustments, and other service changes. Historical market relationships are expected to prevail over the long run, and traffic is expected to grow as the economy returns to a long-term expansion path, personal incomes increase, and yields continue to fall.

For comparison, we present alternative forecasts based on trendline and market share, and the FAA Terminal Area Forecast (TAF) for the Airport.

1. Multivariate Regression Analysis and Forecasts

The regression model developed for this study relates annual enplanements to key market factors using historical data from CY 1961 through 2001 and available data for 2002. The model forecasts enplanements based on reasonable assumptions about the future trends of key market factors as described below:

- ***Local economic base.*** As discussed in Section III, the demographic and economic trends in the St. Louis MSA reflect a diverse and growing socio-economic base that will continue to support growth in air travel. The regression model considered non-agricultural employment in the St. Louis MSA as an indicator of local socio-economic trends. Historical and forecast data on local non-agricultural employment were obtained from DRI-WEFA, Inc., a private economic and financial information company that is widely used in the industry.[12] Local non-agricultural employment increased 1.4% per year over the period CY 1992-2001 (an average increase of 1.7% per year between CY 1992 and 2000, and a decrease of 0.9% in CY 2001). Local non-agricultural employment is projected to increase 0.6% per year between

[12] Effective October 28, 2002, DRI-WEFA has been rebranded as Global Insight, adopting the parent company name.

CY 2001 and 2011 (a decrease of 0.7% in CY 2002 and an average increase of 0.7% per year between CY 2002 and 2011).

- ***Consumer income.*** Economic expansion increases incomes and boosts air travel demand, while economic recession reduces incomes and dampens air travel demand. In the regression model, income is represented by the real U.S. Gross Domestic Product (GDP) per capita. Historical and forecast data were obtained from DRI-WEFA, Inc. real U.S. GDP per capita grew at an average rate of 2.5% per year between CY 1992 and 2001 (a growth rate of 2.8% per year on average between CY 1992 and 2000, and 0.3% in CY 2001), and is projected to grow at an average rate of 2.3% per year between CY 2001 and 2011 (a growth rate of 1.6% in CY 2002 and 2.4% per year on average between CY 2002 and 2011).

- ***Price of air travel.*** The demand for air travel rises when the price of air travel falls. In the regression model, the price of air travel is represented by real passenger yield, calculated as total airline revenues divided by revenue passenger miles and adjusted for inflation. Historical and forecast data on real passenger yields on domestic traffic were obtained from the FAA Statistics and Forecast Branch and the published FAA Aerospace Forecasts. Since the airline industry deregulation in 1978, real passenger yields have been declining due to intense competition among air carriers especially with the growth of new-entrant, low-cost carriers. Competition has pushed incumbent, high-cost carriers to restructure, increase productivity, and lower unit costs. Between the FFY[13] 1992 and 2001, real passenger yields decreased 1.7% per year on average (an average decrease of 1.1% per year between FFY 1992 and 2000, and a decrease of 6.5% in FFY 2001). The FAA projects real passenger yields to continue declining at an average annual rate of 0.9% over the FFY 2002-2011 period (a decrease of 5% in FFY 2002 and 0.4% per year, on average, thereafter through FFY 2011). In the short run, airlines are expected to continue discounting airfares heavily to stimulate demand that has been weakened by the slow economy and depressed by the September 11, 2001 Events. In the long run, competition, productivity increases, expanding capacity, and increasing trip length are expected to offset increases in jet fuel prices and security costs, and keep yields on a downward trend.[14]

- ***Airline hub operations.*** The operation of an airline system hub at the Airport is another important consideration in modeling and forecasting air travel demand. In examining historical trends in Airport activity, we found that enplanements increased sharply when TWA began operating a system hub at the Airport in December 1982. Enplanements dropped when TWA temporarily transferred service to a mini-hub at ATL in 1993 and rebounded strongly when TWA restored service in the following year. The forecasts assume that American will maintain hub operations at the Airport over the forecast period, as the airline indicated to the Airport management after its acquisition of TWA. American views the St. Louis hub s a strategic advantage for improving American's position as "an east/west carrier." In the letter dated March 28, 2001, American indicated the following: "the St. Louis hub is a significant addition to the American Airlines network. It gives us a third

[13] Federal fiscal year ending September 30.
[14] Federal Aviation Administration, *Aerospace Forecasts, Fiscal Years 2002-2013*, March 2002.

powerful connecting hub – along with DFW and Chicago – in the middle of the country, thereby strengthening our position as a leading east-west carrier, and giving customers flying from one side of the country to the other a new travel option within the American system."[15]

- ***Impact of September 11, 2001 Events.*** The regression model includes a structural variable that measures the impact of the September 11, 2001 Events. This study presents three sets of forecasts: Base Case and two Sensitivity Cases – high and low. The Base Case assumes that the September 11, 2001 Events caused a permanent downward shift in air travel demand and permanent cuts in airline service – a reduction of approximately 20% in scheduled departures for most airlines immediately after the September 11, 2001 Events and further reduction in published schedules through June 2003 resulting from further streamlining of airline operations. From post-September 11 depressed levels, enplanements would grow at moderate rates throughout the forecast period, along with the expansion of the economy and the decline of real yields. The rationale for this scenario is that the September 11, 2001 Events permanently added to the time cost and inconvenience of air travel – costs not captured by nominal increases in airfares – in the form of tighter airport and airline security, and these added costs changed travel patterns permanently. The Boeing Current Market Outlook shares this view and does not expect travel to recover to the long-term average growth trend. In particular, short-haul travel will bear a larger share of the burden because security costs account for a larger share of total costs for shorter trips.[16]

  The Sensitivity-High Case also reflects the post-September 11 depressed levels of air travel demand and scaled down levels of airline service. However, the Sensitivity-High Case assumes that the negative demand impact is transitory: demand would recover and eventually return to normal levels. The Sensitivity-High Case differs from the Base Case in enplanement growth projections during the period FY 2004-2007. The Sensitivity-High Case assumes that the industry would experience a strong recovery; and during the period FY 2004-2007, enplanements would grow at rates higher than projected under the Base Case. After FY 2007, as in the Base Case, demand would grow at moderate rates with the expansion of the economy and the decline of real yields. These assumptions are consistent with the expectations of certain industry entities. For example, in developing the national forecasts, the FAA assumed that traffic would recover strongly in FFY 2003 along with the U.S. and world economies, and return to normal levels of growth beginning in FFY 2004.[17] Articulating the opinion of the airline industry, the Air Transport Association expected traffic growth to resume with the strengthening of the U.S. economy and airline schedules would return to pre-September 11 levels of service sometime in the third quarter of 2002.[18] The September 2002 traffic data support the industry expectation of traffic recovery. For the month of September 2002, the total enplanements of all ATA member airlines increased 28.4% compared to total enplanements in September 2001,[19] and total enplanements at the airport increased 36.8%. Airlines have been more prudent in reinstating service, increasing

[15] American Airlines, Inc., *Letter to Lambert-St. Louis International Airport*, March 28, 2001.
[16] Boeing Commercial Airplanes, *Current Market Outlook*, 2002, page 9.
[17] Federal Aviation Administration, *Aerospace Forecasts, Fiscal Years 2002-2013*, March 2002, page I-12.
[18] Air Transport Association, *State of the U.S. Airline Industry: A Report on Recent Trends for U.S. Air Carriers*, 2002.
[19] Air Transport Association, *ATA Monthly Passenger Traffic Report*, October 11, 2002.

boarding load factors to accommodate returning traffic. The Sensitivity-High Case forecasts for the Airport assume conservatively that the negative impact of the September 11, 2001 Events would persist through mid FY 2004. Enplanements would then begin a strong recovery and return to pre-September 11, 2001 levels by FY 2006. Growth rates would return to moderate levels beginning in CY 2007, driven primarily by the growth of the economy and the continuing decline in real yields.

The Sensitivity-Low Case is a scenario that assumes American would further cut air carrier service at the Airport by 20% effective January 1, 2003. This 20% service cut would be in addition to significant decreases in airline service post September 11 that are already reflected under the Base Case and the Sensitivity-High Case. American has made no indication of such action; its recent announcement to invest $14.6 million to improve terminal facilities at the Airport signals otherwise. This Sensitivity Low Case is presented solely to serve as basis for a stress test in the financial feasibility analysis in Section V.

All three cases assume no other terrorist attacks or similar shocks to the aviation system over the forecast period. All three cases also consider no direct impact from the outbreak of a war. If such events occur, actual traffic outcomes could deviate significantly from the forecasts.

The regression model included appropriate trend variables to account for the correlation between past and present levels of enplanements that is typical of time series data.[20] The model fit the data very well as indicated by an *adjusted R-squared*[21] of 0.99. This means that, collectively, the explanatory variables explained 99% of the variation in annual enplanements. The regression results confirmed the anticipated effect of each explanatory variable on enplanements.

Table IV-22 shows the regression forecasts of enplanements associated with the three cases described above. The results are summarized below:

- *Base Case.* Enplanements are estimated at 12.6 million in FY 2003, decreasing slightly from the FY 2002 level. The FY 2003 estimate is based on available actual traffic data in FY 2003 and airlines' published departures from the Airport through June 2003. Enplanements are projected to grow at a moderate pace beginning in FY 2004, returning to FY 2001 levels by

[20] The correlation in time series data is called *serial correlation* and is accounted for by including appropriate *auto-regressive factors* in the regression model.
[21] The R-squared (R^2) is a measure of goodness-of-fit – the proportion of the total variation in the dependent variable that is explained by the regression model. An R-squared of 0 occurs when the linear regression model does nothing to help explain the variation in the dependent variable. An R-squared of 1 represents a perfect fit.

TABLE IV-22
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
ALTERNATIVE ENPLANEMENT FORECASTS
FY 1999-2012

	Regression Model[1]						Alternative Approaches					
Fiscal	Base Case[2]		Sensitivity High Case[3]		Sensitivity Low Case[4]		Trendline[5]		Market Share[6]		TAF (Pre-Sept. 11)[7]	
Year	Enplanements	Growth Rate	Enplanements	Growth Rate	Enplanements	Growth Rate	Enplanements	Growth Rate	Enplanements	Growth Rate	Enplanements	Growth Rate
Actual												
1999	14,563,422		14,563,422		14,563,422		14,563,422		14,563,422		14,563,422	
2000	15,259,157	4.8%	15,259,157	4.8%	15,259,157	4.8%	15,259,157	4.8%	15,259,157	4.8%	15,259,157	4.8%
2001	14,983,548	-1.8%	14,983,548	-1.8%	14,983,548	-1.8%	14,983,548	-1.8%	14,983,548	-1.8%	14,983,548	-1.8%
2002	12,637,241	-15.7%	12,637,241	-15.7%	12,637,241	-15.7%	12,637,241	-15.7%	12,637,241	-15.7%	12,637,241	-15.7%
Forecast												
2003E	12,634,083	0.0%	12,634,083	0.0%	11,815,631	-6.5%	14,960,590	18.4%	13,705,226	8.5%	15,659,843	23.9%
2004	13,073,030	3.5%	13,498,742	6.8%	11,257,598	-4.7%	15,336,487	2.5%	14,909,741	8.8%	16,295,008	4.1%
2005	13,352,348	2.1%	14,632,659	8.4%	11,538,185	2.5%	15,712,383	2.5%	15,530,669	4.2%	16,932,260	3.9%
2006	13,626,401	2.1%	15,766,577	7.7%	11,802,255	2.3%	16,088,279	2.4%	16,154,797	4.0%	17,571,764	3.8%
2007	13,900,113	2.0%	16,496,997	4.6%	12,067,126	2.2%	16,464,176	2.3%	16,773,592	3.8%	18,213,691	3.7%
2008	14,178,816	2.0%	16,827,767	2.0%	12,309,077	2.0%	16,840,072	2.3%	17,405,188	3.8%	18,858,229	3.5%
2009	14,460,388	2.0%	17,161,944	2.0%	12,553,518	2.0%	17,215,969	2.2%	18,069,859	3.8%	19,505,576	3.4%
2010	14,742,976	2.0%	17,497,327	2.0%	12,798,842	2.0%	17,591,865	2.2%	18,772,937	3.9%	20,155,951	3.3%
2011	15,019,701	1.9%	17,825,751	1.9%	13,039,076	1.9%	17,967,761	2.1%	19,517,624	4.0%	20,809,587	3.2%
2012	15,289,014	1.8%	18,145,378	1.8%	13,272,875	1.8%	18,343,658	2.1%	20,296,451	4.0%	21,466,735	3.2%
	Average Annual Growth Rate											
2002-12	1.9%		3.7%		0.5%		3.8%		4.9%		5.4%	

[1] Enplanements are modeled as a function of the U.S. real per capita Gross Domestic Product and real domestic passenger yields. The regression model includes dummy variables to account for the establishment of an airline system hub at STL beginning in 1983, the temporary transfer of some system hub operations to ATL in 1993, and the effects of the September 11, 2001 events. The model also includes a first-order autoregressive factor to account for serial correlation that is inherent in time series data. The regression model was estimated using historical data from CY 1961. The regression model produced forecast for the fiscal years 2004 through 2012. The estimate of total enplanements for FY 2003 is based airlines' published departures from the Airport through June 2003.

[2] Assumes that the September 11, 2001 events would result in a permanent downshift in the demand for air travel.

[3] Assumes that the dampening effects of the September 11, 2001 events on the demand for air travel are transitory and would continue to be felt through the end of CY 2003.

[4] This represents a purely hypothetical scenario whereby American will implement an additional 20 percent decrease in scheduled departures at the Airport effective January 2003, on top of significant decreases already implemented immediately after September 11 and further decreases reflected in the published schedules for FY 2003. American has made no indication of such action.

[5] Enplanements are modeled as a function of time. The trendline is estimated using historical data from CY 1961.

[6] Assumes that enplanements at the Airport would follow the growth forecasted by the FAA for the entire nation and that the Airport will maintain its 10-year average market share of 2.1% over the forecast period.

[7] FAA Terminal Area Forecast for STL, converted to the Airport's fiscal year basis. The TAF was prepared prior to the September 11, events. This forecast provides us with an idea of the growth path that enplanements would have followed if the September 11, 2001 events had not occurred.

Sources: Airport management for actual data; Federal Aviation Administration for the TAF; and Unison-Maximus, Inc. for the regression and other forecasts.

FY 2011. Enplanements are projected to reach 15.3 million in FY 2012, growing at an average rate of 1.9% per year from FY 2002.

- ***Sensitivity-High Case.*** As in the Base Case, enplanements are estimated at 12.6 million in FY 2003, based on available actual traffic data in FY 2003 and airlines' published departures from the Airport through June 2003. During the period FY 2004-2007, enplanements are projected to grow at rates higher than projected under the Base Case – indicating a speedier recovery in air travel demand. From FY 2008 through the end of the forecast period, enplanements are projected to grow at rates similar to those projected under the Base Case. Enplanements are projected to return to FY 2001 levels by FY 2006, five years earlier than projected under the Base Case. They are projected to reach 18.1 million in FY 2012, growing at an average rate of 3.7% per year over the ten-year forecast period.

- ***Sensitivity-Low Case.*** Enplanements are projected to continue decreasing through FY 2004 and grow at moderate rates thereafter. Enplanements are projected to reach 13.3 million by FY 2012, growing at an average rate of 0.5% per year over the ten-year forecast period.

2. Alternative Forecasts

Table IV-22 also show forecasts from alternative approaches:

Trendline fitting. Enplanement forecasts are derived by fitting a regression line on annual data from CY 1961 through 2001 – using time as the only explanatory variable – and extrapolating this line into the future. This approach assumes that the future would replicate historical trends exactly, and this may not happen because of changes in the travel market, the airline industry, and the economy. The resulting forecast is sensitive to the length of the historical period used in model estimation and the growth trend prevailing during that period. Trendline fitting, while acceptable for general planning purposes, does not identify the specific market factors that influence enplanement trends and is therefore unresponsive to changes in these factors. Using this approach, enplanements at the Airport are projected to rebound strongly in FY 2003 and grow steadily thereafter. Enplanements are projected to return to the FY 2001 level by FY 2003 and increase to 18.3 million in FY 2012, growing at an average rate of 3.8% per year over the forecast period.

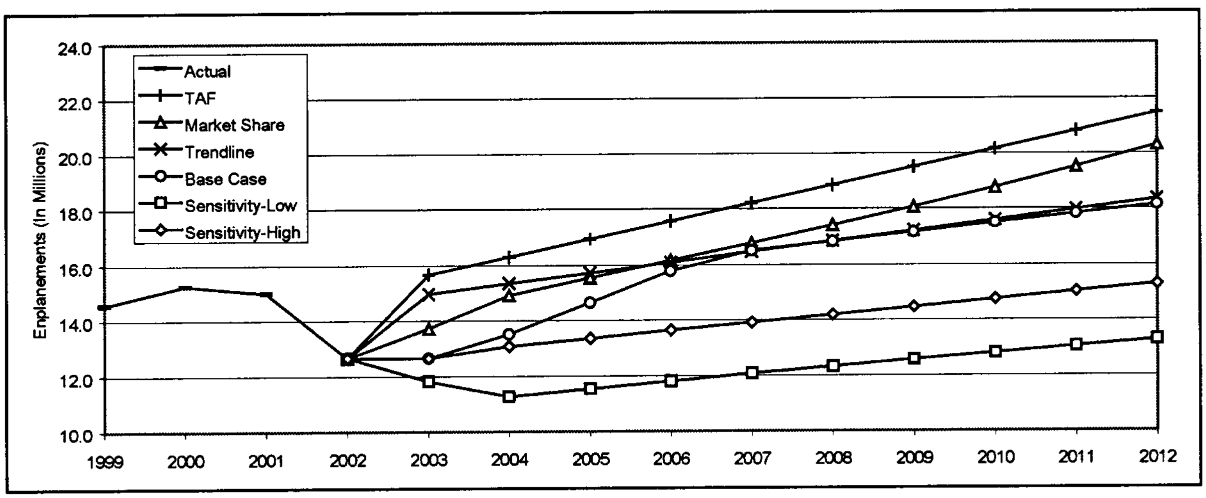
- ***Market share approach.*** The market share approach assumes that the Airport would account for a constant share of U.S. total enplanements – 2.1% based on the average share from CY 1992 through 2001. The resulting forecast follows the growth trend projected by the FAA for the United States in the *Aerospace Forecasts, FY 2002-2013*.[22] Unlike the linear trendline, the market share approach considers changes in market factors as incorporated in the national forecast but offers limited ability to incorporate Airport-specific trends and factors. Enplanements are projected to return to the FY 2001 level by FY 2003 and increase to 20.3 million in FY 2012, growing at an average rate of 4.9% per year between FY 2002 and 2012.

[22] Federal Aviation Administration, *Aerospace Forecasts, FY 2002-2013*, March 2002.

- ***FAA Terminal Area Forecast (TAF).*** The FAA forecasts aviation activity for individual FAA-towered airports within the National Plan of Integrated Airport System (NPIAS). The FAA derives the TAF from national forecasts and historical data on individual airports, which are frequently one to two years old. The TAF is developed independent of the ability of airports and the air traffic control system to supply the capacity to meet the projected demand, essentially assuming unconstrained demand for commercial air services.[23] Notwithstanding these limitations, the FAA uses the TAF for budget planning purposes, and it is often recommended for use in general airport planning. The most recent TAF was developed prior to the September 11, 2001 Events and therefore does not consider the impact of these events. However, it still serves as a useful guide to see how enplanements might have grown if the September 11, 2001 Events had not occurred. The TAF projects Airport enplanements to grow at 5.4% per year on average and reach 21.5 million in FY 2012.

Figure IV-2 compares the enplanement growth trends resulting from the regression and alternative forecasts.

FIGURE IV-2
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
REGRESSION MODEL AND ALTERNATIVE FORECASTS OF ENPLANEMENTS
FY 1999-2012



Sources: Airport management for actual data.
Federal Aviation Administration for the TAF.
Unison-Maximus, Inc. for the regression and other forecasts (see **Table IV-22**).

[23] Federal Aviation Administration, *Terminal Area Forecasts Summary, FY 2000-2015,* December 2000, pages 3-4.

3. Detailed Forecasts of Airport Activity under the Base Case

Table IV-23 presents detailed forecasts of airport activity under the Base Case. While the industry is generally optimistic that air travel demand and airline schedules will rebound from depressed levels after the September 11, 2001 Events, the speed and strength of recovery remains uncertain. The Base Case assumes that the negative impact of the September 11, 2001 Events on air travel demand would linger for a long time. Air travel demand would return to positive growth at moderate rates throughout the forecast period and Airport enplanements would return to FY 2001 levels in FY 2011. The Base Case forecasts reflects the significant cuts in airline service at the Airport in response to reduced air travel demand after September 11, 2001 and further cuts implemented by airlines in recent months to streamline operations. The detailed activity forecasts for FY 2003 are based on available actual data for and departures published by airlines, while the detailed activity forecasts for FY 2004-2012 are based on the regression model.

a) Forecasts for FY 2003

Unison obtained from the Airport management the actual data for July 2002 and from the OAG database the schedule of departures by air carrier from the Airport for the August 2002-June 2003 period.[24] For each air carrier group, we multiplied scheduled aircraft departures by the average number of enplanements per departure to estimate enplanements. We assumed that the average number of enplanements per departure, a measure of aircraft passenger load, will increase according to industry trends of growth in aircraft size and improvement in load factors. Total landed weight is calculated by multiplying aircraft departures by the average aircraft landed weight. The average aircraft landed weight for each air carrier group reflects fleet changes implemented beginning in the last half of FY 2002.

The departure schedules and detailed activity forecasts for FY 2003 reflect strategic changes in airline service at the Airport consistent with trends observed industry-wide. In particular, major passenger air carriers, except Southwest, are transferring certain routes to regional carriers, supplementing large jet service with regional service during off-peak, and using regional service to enter new markets. Using regional carriers allows airlines to continue serving smaller markets given the post-September 11 decline in air travel, expand service by reaching new smaller markets, and increase service frequency in existing markets, while reducing aircraft operating costs. In the long run, the expansion of regional service at hub airports would increase feed traffic into the hub and stimulate growth in mainline jet service.

The schedule changes to be implemented by American illustrate the growth shift from mainline jet service to regional service. Scheduled departures by American for FY 2003 are down 15.0% from actual departures in FY 2002, while scheduled departures by its regional partners – Trans

[24] BACK Aviation Solutions and Official Airline Guide, Inc., *Published Nonstop Departures*, August 19, 2002.

TABLE IV-23
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
DETAILED FORECASTS OF COMMERCIAL AIR TRAFFIC ACTIVITY - BASE CASE[1]
FY 2001-2012

Aviation Activity	Actual		Forecast										Growth Rate
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2002-2012
Enplaned passengers													
Air carrier	13,766,528	11,250,764	10,775,140	11,071,063	11,247,522	11,437,495	11,632,488	11,865,724	12,101,361	12,337,849	12,569,430	12,794,808	1.3%
American	10,912,355	8,746,606	8,352,627	8,590,531	8,734,019	8,886,029	9,036,722	9,217,912	9,400,967	9,584,683	9,764,587	9,939,672	1.3%
Southwest	1,786,594	1,554,290	1,452,527	1,502,992	1,535,105	1,566,613	1,598,081	1,630,123	1,662,495	1,694,984	1,726,799	1,757,762	1.2%
Others	1,067,579	949,868	969,986	977,540	978,398	984,853	997,685	1,017,689	1,037,899	1,058,182	1,078,044	1,097,374	1.5%
Regional/Commuter	1,071,465	1,274,379	1,719,359	1,848,452	1,948,032	2,028,894	2,104,398	2,146,592	2,189,221	2,232,003	2,273,897	2,314,670	6.1%
Charter	145,555	112,098	139,584	153,514	156,794	160,013	163,227	166,500	169,806	173,124	176,374	179,536	4.8%
Total	**14,983,548**	**12,637,241**	**12,634,083**	**13,073,030**	**13,352,348**	**13,626,401**	**13,900,113**	**14,178,816**	**14,460,388**	**14,742,976**	**15,019,701**	**15,289,014**	**1.9%**
O&D	7,034,255	5,796,816	5,823,898	6,055,759	6,215,299	6,373,637	6,533,053	6,664,044	6,796,382	6,929,199	7,059,259	7,185,837	2.2%
Connecting	7,949,293	6,840,425	6,810,185	7,017,271	7,137,049	7,252,764	7,367,060	7,514,772	7,664,006	7,813,777	7,960,442	8,103,177	1.7%
Domestic	14,746,149	12,356,056	12,346,021	12,767,771	13,033,224	13,293,234	13,552,610	13,824,346	14,098,878	14,374,402	14,644,208	14,906,789	1.9%
International	237,399	281,185	288,062	305,259	319,124	333,167	347,503	354,470	361,510	368,574	375,493	382,225	3.1%
Aircraft departures (=landings)													
Air carrier	166,257	147,318	131,408	134,224	135,559	137,044	138,209	139,788	141,170	142,726	144,197	145,571	-0.1%
American	123,014	107,020	91,571	93,629	94,634	95,720	96,515	97,617	98,582	99,669	100,696	101,656	-0.5%
Southwest	28,641	26,328	25,457	26,188	26,590	26,978	27,285	27,597	27,870	28,177	28,468	28,739	0.9%
Others	14,602	20,082	14,380	14,407	14,335	14,346	14,409	14,574	14,718	14,880	15,033	15,177	-2.8%
Regional/Commuter	54,277	59,176	72,331	76,167	79,028	80,856	82,440	82,308	82,180	82,326	82,426	82,471	3.4%
Charter	1,830	1,179	1,260	1,378	1,399	1,419	1,435	1,452	1,466	1,482	1,498	1,512	2.5%
Subtotal-Passenger	**222,364**	**207,673**	**204,999**	**211,769**	**215,986**	**219,320**	**222,085**	**223,547**	**224,816**	**226,535**	**228,120**	**229,554**	**1.0%**
Cargo	3,929	3,066	3,843	3,843	3,843	3,843	3,843	3,843	3,843	3,843	3,843	3,843	2.3%
Total	**226,293**	**210,739**	**208,842**	**215,612**	**219,829**	**223,163**	**225,928**	**227,390**	**228,659**	**230,378**	**231,963**	**233,397**	**1.0%**
Landed weight (1,000 lbs.)													
Air carrier	21,124,616	19,541,737	18,101,702	18,567,480	18,891,415	19,238,393	19,540,942	19,905,253	20,244,696	20,611,971	20,970,051	21,316,817	0.9%
American	16,185,469	14,895,278	13,501,276	13,849,406	14,100,182	14,365,429	14,588,865	14,860,851	15,114,273	15,388,472	15,655,808	15,914,696	0.7%
Southwest	3,267,489	3,034,318	2,943,850	3,046,135	3,115,516	3,183,858	3,243,326	3,303,793	3,360,132	3,421,091	3,480,524	3,538,079	1.5%
Others	1,671,658	1,612,142	1,656,575	1,671,939	1,675,717	1,689,106	1,708,751	1,740,608	1,770,291	1,802,407	1,833,719	1,864,042	1.5%
Regional/Commuter	1,779,084	1,925,495	2,400,280	2,559,342	2,677,540	2,766,899	2,846,000	2,877,863	2,909,755	2,951,379	2,991,409	3,029,564	4.6%
Charter	171,204	115,924	109,133	112,190	114,745	117,262	119,452	121,679	123,754	125,999	128,188	130,308	1.2%
Subtotal-Passenger	**23,074,904**	**21,583,157**	**20,611,114**	**21,239,011**	**21,683,700**	**22,122,554**	**22,506,394**	**22,904,795**	**23,278,206**	**23,689,348**	**24,089,648**	**24,476,688**	**1.3%**
Cargo	736,107	614,245	793,019	791,258	791,258	791,258	791,258	791,258	791,258	791,258	791,258	791,258	2.6%
Total	**23,811,011**	**22,197,401**	**21,404,133**	**22,030,270**	**22,474,958**	**22,913,812**	**23,297,652**	**23,696,053**	**24,069,464**	**24,480,607**	**24,880,907**	**25,267,947**	**1.3%**

[1] Assumes that the negative demand impact of the September 11, 2001 events would be permanent.

Source: Airport management for actual data; BACK Aviation Solutions and Official Airline Guide, Inc. for scheduled departures in FY 2003; and Unison-Maximus, Inc. for forecast data.

States, Chautauqua, and Corporate – are up 21.4%. Scheduled departures by all other major/national airlines (excluding Southwest) are down 24.3%, while scheduled departures by all other regional operators are up 26.4%.

Southwest, the only provider of low-cost, point-to-point service in St. Louis, reduced scheduled departures from the Airport by only 3.3% from actual departures in FY 2002. Southwest maintains a homogeneous fleet of Boeing 737 jet aircraft and has no regional partners.

The resulting activity forecasts for FY 2003 are as follows:

- Total enplanements are projected at 12.6 million, slightly lower than the previous fiscal year's level. The continued decrease in enplanements reflects the lingering effects of the aftermath of the September 11, 2001 Events on air travel and temporary effects of efforts by airlines to streamline operations and reduce costs. The allocation of enplanements by air carrier group reflects a shift in market share from air carriers to the regional operators. The combined market share of air carriers is projected to decrease from 89.0% in FY 2002 to 85.3% in FY 2003, while the combined market share of regional operators is projected to increase from 10.1% in FY 2002 to 13.6% in FY 2003. The subtotal of enplanements by air carriers is projected to decrease 4.2%, while the subtotal of enplanements by regional operators is projected to increase 34.9%.

- Total aircraft departures are projected at 208,842, 0.9% lower than the previous fiscal year's level. Passenger aircraft departures are projected at 204,999, 1.3% lower than the previous fiscal year's level. Scheduled air carrier departures are 10.8% lower than previous year's actual departures, while scheduled regional departures are 22.2% higher. All-cargo aircraft departures – also based on published schedules – are projected at 3,843, 25.3% higher than the previous year's level. The significant increase in all-cargo aircraft departures reflects the increased use of all-cargo carriers for freight and mail relative to combination carriers after September 11, as all-cargo carriers are subject to less stringent security requirements compared to combination carriers.

- The aggregate aircraft landed weight is projected at 21.4 billion pounds, 3.6% lower than the previous fiscal year's level. Passenger aircraft landed weight is projected to be 4.5% lower than previous year's level, while cargo aircraft landed weight is projected to be 29.1% higher.

b) Forecasts for FY 2004-2012

In the long run, forecasts are driven by market factors as they determine the demand for air travel. The airline industry is expected to respond to market demand by providing the appropriate capacity in terms of efficient fleet mix and adequate number of departures. For the period FY 2004-2012, we forecast enplanements using an econometric model that considers the anticipated trends in relevant market factors such as income and air fares; industry expectations about the speed and strength of the recovery in the economy; and the continuation of airline hub operations by American at the Airport. The regression forecast of total Airport enplanements forms the basis for projecting enplanements by air carrier group and traffic segment, and for projecting aircraft departures and landed weight.

Total enplanements are distributed by air carrier group and by different traffic segments based on expected trends in the relative growth of enplanements and relative market shares of each group or traffic segment. Regional operators are projected to post higher growth rates and increase their combined market share relative to major/national air carriers particularly over the medium term. The split between O&D and connecting traffic is projected to gradually return to the average distribution of the past three years: 47%-53%. This implies that O&D enplanements will grow at a relatively faster pace and gradually increase in share in the next several years, consistent with the recovery and expansion of the local and national economy. Connecting enplanements will grow at a relatively slower pace and gradually decrease in share in the next several years, possibly resulting from the streamlining of American's route network and hub operations. Total Airport enplanements are allocated between domestic and international traffic segments based on the following assumptions: (1) international enplanements are projected to continue growing strongly in the next several years and increase in market share. The changes in relative market shares are expected to occur over the first five years of the forecast period. Eventually the Airport market is projected to reach a state of equilibrium so that the relative market shares of different air carrier groups and traffic segments would stabilize over the last five years of the forecast period. The growth in enplanements within each group and traffic segment would then follow the overall Airport growth trend.

We derive passenger aircraft departures by dividing total enplanements by the average number of enplanements per departure. For each passenger air carrier group, the average number of enplanements per departure is projected to increase according to industry trends of growth in aircraft size and improvement in load factors.

Cargo departures are projected to remain constant over the forecast period. The Airport management does not actively market its facilities for cargo operations because of capacity constraints and supports the use of nearby MidAmerica Airport for cargo.

We derive the total landed weight by multiplying aircraft departures by the average aircraft landed weight. For each passenger air carrier group, the average aircraft landed weight is projected to increase based on industry fleet changes and increase in average aircraft size. The average aircraft landed weight of all-cargo carriers is projected to remain constant because all-cargo carriers are not expected to make significant fleet changes over the forecast period.

The resulting activity forecasts for the FY 2004-2012 period are as follows:

- Enplanements are projected to resume moderate growth beginning in FY 2004 along with the gradual recovery and long-term expansion of the economy, as well as the declining trend in real yields. Enplanements are projected to reach 15.3 million in FY 2012, growing at 1.9% per year on average from FY 2002. The growth in regional enplanements is projected to outpace the growth in air carrier enplanements: 6.1% per year compared with 1.3% per year on average. The growth in O&D enplanements is projected to outpace the growth in connecting enplanements: 2.2% per year compared with 1.7% per year on average. The growth in international enplanements is projected to outpace the growth in domestic enplanements: 3.1% per year compared with 1.9% per year on average. Regional operators, O&D traffic, and international traffic are projected to increase their relative market shares at the end of the forecast period.

- Total aircraft departures are projected to reach 233,397 in FY 2012, growing at 1.0% per year on average from FY 2002. The growth in regional aircraft departures is projected to outpace the growth in air carrier departures: 3.4% per year compared with -0.1% per year on average.

- Total landed weight is projected to reach 25.3 billion pounds in FY 2012, growing at 1.3% per year on average from FY 2002. Regional landed weight is projected to grow at 4.6% per year on average, while air carrier landed weight is projected to grow at 0.9% per year on average.

4. Detailed Forecasts of Airport Activity under the Sensitivity-High Case

Table IV-24 presents detailed forecasts of airport activity based on actual data and flight schedules published by airlines for FY 2003, and the regression forecast of total enplanements for FY 2004-2012, assuming that the negative demand impact of the September 11, 2001 Events is transitory. The Sensitivity-High Case presents the same projection of air traffic activity for FY 2003 as in the Base Case. During the period FY 2004-2007, the Sensitivity-High Case projects annual enplanement growth rates that are higher than projected under the Base Case – projecting a faster recovery in air travel demand and a return to FY 2001 enplanement level by FY 2006. From FY 2008 through the end of the forecast period, enplanements are projected to grow at the same moderate rates projected under the Base Case.

The forecasts of airport activity under the Sensitivity-High Case are summarized below:

- The enplanement growth trend is projected to turn positive beginning in FY 2004. Enplanements are projected to grow at relatively high growth rates through FY 2006 as market demand and supply recover to normal levels, and thereafter grow at more moderate rates along with the long term expansion of the economy and declining trend in real yields. Enplanements are projected to reach 18.1 million in FY 2012, growing at 3.7% per year on average from FY 2002. The growth in regional enplanements is projected to outpace the growth in air carrier enplanements: 8.0% per year compared with 3.0% per year on average. The growth in O&D enplanements is projected to outpace the growth in connecting enplanements: 3.9% per year compared with 3.5% per year on average. The growth in international enplanements is projected to outpace the growth in domestic enplanements: 4.9% per year compared with 3.7% per year on average. Regional operators, O&D traffic, and international traffic are therefore projected to end the forecast period with relatively larger market shares.

TABLE IV-24
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
DETAILED FORECASTS OF COMMERCIAL AIR TRAFFIC ACTIVITY - SENSITIVITY-HIGH CASE[1]
FY 2001-2012

Aviation Activity	Actual		Forecast										Growth Rate
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2002-2012
Enplaned passengers													
Air carrier	13,766,528	11,250,764	10,775,140	11,431,583	12,326,008	13,233,879	13,805,724	14,082,533	14,362,193	14,642,863	14,917,709	15,185,193	3.0%
American	10,912,355	8,746,606	8,352,627	8,870,274	9,571,494	10,281,678	10,725,004	10,940,044	11,157,299	11,375,337	11,588,852	11,796,647	3.0%
Southwest	1,786,594	1,554,290	1,452,527	1,551,936	1,682,301	1,812,666	1,896,642	1,934,670	1,973,090	2,011,649	2,049,408	2,086,155	3.0%
Others	1,067,579	949,868	969,986	1,009,373	1,072,213	1,139,535	1,184,078	1,207,819	1,231,804	1,255,877	1,279,449	1,302,391	3.2%
Regional/Commuter	1,071,465	1,274,379	1,719,359	1,908,645	2,134,822	2,347,554	2,497,552	2,547,628	2,598,221	2,648,996	2,698,717	2,747,107	8.0%
Charter	145,555	112,098	139,584	158,514	171,829	185,144	193,722	197,606	201,530	205,468	209,325	213,078	6.6%
Total	**14,983,548**	**12,637,241**	**12,634,083**	**13,498,742**	**14,632,659**	**15,766,577**	**16,496,997**	**16,827,767**	**17,161,944**	**17,497,327**	**17,825,751**	**18,145,378**	**3.7%**
O&D	7,034,255	5,796,816	5,823,898	6,252,960	6,811,263	7,374,687	7,753,589	7,909,050	8,066,114	8,223,744	8,378,103	8,528,328	3.9%
Connecting	7,949,293	6,840,425	6,810,185	7,245,782	7,821,396	8,391,890	8,743,408	8,918,717	9,095,830	9,273,583	9,447,648	9,617,050	3.5%
Domestic	14,746,149	12,356,056	12,346,021	13,183,542	14,282,935	15,381,083	16,084,572	16,407,073	16,732,895	17,059,894	17,380,107	17,691,744	3.7%
International	237,399	281,185	288,062	315,200	349,724	385,494	412,425	420,694	429,049	437,433	445,644	453,634	4.9%
Aircraft departures (=landings)													
Air carrier	166,257	147,318	131,408	138,595	148,557	158,568	164,030	165,903	167,544	169,391	171,137	172,767	1.6%
American	123,014	107,020	91,571	96,678	103,708	110,754	114,546	115,854	117,000	118,290	119,509	120,647	1.2%
Southwest	28,641	26,328	25,457	27,040	29,140	31,215	32,383	32,753	33,077	33,441	33,786	34,108	2.6%
Others	14,602	20,082	14,380	14,877	15,710	16,599	17,101	17,296	17,467	17,660	17,842	18,012	-1.1%
Regional/Commuter	54,277	59,176	72,331	78,648	86,605	93,556	97,842	97,685	97,533	97,707	97,825	97,879	5.2%
Charter	1,830	1,179	1,260	1,423	1,533	1,642	1,704	1,723	1,740	1,759	1,777	1,794	4.3%
Subtotal-Passenger	**222,364**	**207,673**	**204,999**	**218,665**	**236,696**	**253,766**	**263,576**	**265,312**	**266,818**	**268,857**	**270,739**	**272,440**	**2.8%**
Cargo	3,929	3,066	3,843	3,843	3,843	3,843	3,843	3,843	3,843	3,843	3,843	3,843	2.3%
Total	**226,293**	**210,739**	**208,842**	**222,508**	**240,539**	**257,609**	**267,419**	**269,155**	**270,661**	**272,700**	**274,582**	**276,283**	**2.7%**
Landed weight (1,000 lbs.)													
Air carrier	21,124,616	19,541,737	18,101,702	19,172,114	20,702,848	22,259,994	23,191,672	23,624,043	24,026,903	24,462,794	24,887,773	25,299,323	2.6%
American	16,185,469	14,895,278	13,501,276	14,300,400	15,452,200	16,621,677	17,314,424	17,637,223	17,937,991	18,263,418	18,580,698	18,887,953	2.4%
Southwest	3,267,489	3,034,318	2,943,850	3,145,330	3,414,252	3,683,918	3,849,260	3,921,023	3,987,888	4,060,235	4,130,771	4,199,079	3.3%
Others	1,671,658	1,612,142	1,656,575	1,726,385	1,836,396	1,954,398	2,027,988	2,065,797	2,101,025	2,139,141	2,176,303	2,212,291	3.2%
Regional/Commuter	1,779,084	1,925,495	2,400,280	2,642,685	2,934,280	3,201,471	3,377,703	3,415,518	3,453,369	3,502,769	3,550,278	3,595,561	6.4%
Charter	171,204	115,924	109,133	115,843	125,747	135,679	141,769	144,412	146,874	149,539	152,137	154,653	2.9%
Subtotal-Passenger	**23,074,904**	**21,583,157**	**20,611,114**	**21,930,642**	**23,762,876**	**25,597,144**	**26,711,143**	**27,183,973**	**27,627,147**	**28,115,102**	**28,590,188**	**29,049,536**	**3.0%**
Cargo	736,107	614,245	793,019	791,258	791,258	791,258	791,258	791,258	791,258	791,258	791,258	791,258	2.6%
Total	**23,811,011**	**22,197,401**	**21,404,133**	**22,721,900**	**24,554,134**	**26,388,402**	**27,502,402**	**27,975,231**	**28,418,405**	**28,906,360**	**29,381,446**	**29,840,794**	**3.0%**

[1] Assumes that the negative demand impact of the September 11, 2001 events would be transitory.

Source: Airport management for actual data; BACK Aviation Solutions and Official Airline Guide, Inc. for scheduled departures in FY 2003; and Unison-Maximus, Inc. for forecast data.

- Total aircraft departures are projected to reach 276,283 in FY 2012, growing at 2.7% per year on average from FY 2002. The growth in regional aircraft departures is projected to outpace the growth in air carrier departures: 5.2% per year compared with 1.6% per year on average.

- The total landed weight is projected to reach 28.8 billion pounds in FY 2012, growing at 3.0% per year on average from FY 2002. The slightly higher growth rate in total landed weight compared with total aircraft departures reflects fleet changes that are expected to increase the average aircraft size over time. Regional landed weight is projected to grow at 6.4% per year on average, while air carrier landed weight is projected to grow at 2.6% per year on average.

5. Detailed Forecast of Airport Activity under the Sensitivity-Low Case

The Sensitivity-Low Case is a scenario intended to serve as a basis for stress test in the financial feasibility analysis in Section V. The Sensitivity-Low Case assumes that American will implement a 20% decrease in aircraft departures from the Airport effective January 2003, in addition to the service cuts already implemented since September 11, 2001 and reflected in the Base Case and Sensitivity-High Case. **Table IV-25** shows the results:

- Enplanements are projected to decrease from 12.3 million in FY 2002 to 11.3 million in FY 2004 and increase gradually to 13.3 million in FY 2012, averaging an annual growth rate of 0.5% over the forecast period.

- Aircraft departures are projected to decrease from 210,739 in FY 2002 to 195,826 in FY 2004 and increase gradually to 212,777 in FY 2012, averaging an annual growth rate of 0.1% over the forecast period.

- Total landed weight is projected to decrease from 22.2 billion pounds in FY 2002 to 19.1 billion pounds in FY 2004 and increase gradually to 22.0 billion pounds in FY 2012, averaging an annual growth rate of –0.1% over the forecast period.

E. OTHER FACTORS AFFECTING AVIATION DEMAND

The forecast model focused on key measurable factors that determine Airport activity. There are many other factors and events that can influence aviation activity at the Airport, so that actual results may differ significantly from the forecasts presented in this report. Some of these factors are discussed below:

National economic conditions. Economic conditions determine consumer incomes and influence air travel demand. Economic expansion increases consumer incomes and business profits, and stimulates air travel. Economic recession reduces incomes and dampens air travel. The past decade saw unprecedented expansion in the U.S. economy – ten years of sustained growth – which ended in March 2001. The September 11, 2001 Events disrupted economic

TABLE IV-25
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
DETAILED FORECASTS OF COMMERCIAL AIR TRAFFIC ACTIVITY - SENSITIVITY-LOW CASE
FY 2001-2012

	Actual		Forecast										Growth Rate
Aviation Activity	**FY 2001**	**FY 2002**	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2002-2012**
Enplaned passengers													
Air carrier	13,766,528	11,250,764	9,956,688	9,255,631	9,433,358	9,613,349	9,799,501	9,995,985	10,194,492	10,393,715	10,588,804	10,778,668	-0.4%
American	10,912,355	8,746,606	7,534,175	6,775,099	6,919,855	7,061,883	7,203,735	7,348,173	7,494,097	7,640,549	7,783,961	7,923,533	-1.0%
Southwest	1,786,594	1,554,290	1,452,527	1,502,992	1,535,105	1,566,613	1,598,081	1,630,123	1,662,495	1,694,984	1,726,799	1,757,762	1.2%
Others	1,067,579	949,868	969,986	977,540	978,398	984,853	997,685	1,017,689	1,037,899	1,058,182	1,078,044	1,097,374	1.5%
Regional/Commuter	1,071,465	1,274,379	1,719,359	1,848,452	1,948,032	2,028,894	2,104,398	2,146,592	2,189,221	2,232,003	2,273,897	2,314,670	6.1%
Charter	145,555	112,098	139,584	153,514	156,794	160,013	163,227	166,500	169,806	173,124	176,374	179,536	4.8%
Total	**14,983,548**	**12,637,241**	**11,815,631**	**11,257,598**	**11,538,185**	**11,802,255**	**12,067,126**	**12,309,077**	**12,553,518**	**12,798,842**	**13,039,076**	**13,272,875**	**0.5%**
O&D	7,034,255	5,796,816	5,446,618	5,214,805	5,370,836	5,520,408	5,671,549	5,785,266	5,900,154	6,015,456	6,128,366	6,238,251	0.7%
Connecting	7,949,293	6,840,425	6,369,013	6,042,793	6,167,349	6,281,847	6,395,577	6,523,811	6,653,365	6,783,386	6,910,710	7,034,624	0.3%
Domestic	14,746,149	12,356,056	11,546,230	10,994,730	11,262,420	11,513,689	11,765,448	12,001,350	12,239,680	12,478,871	12,713,099	12,941,053	0.5%
International	237,399	281,185	269,401	262,868	275,765	288,566	301,678	307,727	313,838	319,971	325,977	331,822	1.7%
Aircraft departures (=landings)													
Air carrier	166,257	147,318	122,435	114,438	115,903	117,394	118,632	119,987	121,174	122,509	123,772	124,951	-1.6%
American	123,014	107,020	82,598	73,843	74,977	76,071	76,938	77,817	78,586	79,452	80,271	81,036	-2.7%
Southwest	28,641	26,328	25,457	26,188	26,590	26,978	27,285	27,597	27,870	28,177	28,468	28,739	0.9%
Others	14,602	20,082	14,380	14,407	14,335	14,346	14,409	14,574	14,718	14,880	15,033	15,177	-2.8%
Regional/Commuter	54,277	59,176	72,331	76,167	79,028	80,856	82,440	82,308	82,180	82,326	82,426	82,471	3.4%
Charter	1,830	1,179	1,260	1,378	1,399	1,419	1,435	1,452	1,466	1,482	1,498	1,512	2.5%
Subtotal-Passenger	**222,364**	**207,673**	**196,026**	**191,983**	**196,329**	**199,670**	**202,508**	**203,747**	**204,820**	**206,318**	**207,695**	**208,934**	**0.1%**
Cargo	3,929	3,066	3,843	3,843	3,843	3,843	3,843	3,843	3,843	3,843	3,843	3,843	2.3%
Total	**226,293**	**210,739**	**199,869**	**195,826**	**200,172**	**203,513**	**206,351**	**207,590**	**208,663**	**210,161**	**211,538**	**212,777**	**0.1%**
Landed weight (1,000 lbs.)													
Air carrier	21,124,616	19,541,737	16,746,805	15,640,693	15,962,633	16,289,423	16,581,772	16,890,913	17,178,953	17,490,610	17,794,465	18,088,718	-0.8%
American	16,185,469	14,895,278	12,146,380	10,922,619	11,171,400	11,416,458	11,629,694	11,846,512	12,048,530	12,267,111	12,480,221	12,686,597	-1.6%
Southwest	3,267,489	3,034,318	2,943,850	3,046,135	3,115,516	3,183,858	3,243,326	3,303,793	3,360,132	3,421,091	3,480,524	3,538,079	1.5%
Others	1,671,658	1,612,142	1,656,575	1,671,939	1,675,717	1,689,106	1,708,751	1,740,608	1,770,291	1,802,407	1,833,719	1,864,042	1.5%
Regional/Commuter	1,779,084	1,925,495	2,400,280	2,559,342	2,677,540	2,766,899	2,846,000	2,877,863	2,909,755	2,951,379	2,991,409	3,029,564	4.6%
Charter	171,204	115,924	109,133	112,190	114,745	117,262	119,452	121,679	123,754	125,999	128,188	130,308	1.2%
Subtotal-Passenger	**23,074,904**	**21,583,157**	**19,256,218**	**18,312,224**	**18,754,918**	**19,173,583**	**19,547,223**	**19,890,455**	**20,212,463**	**20,567,987**	**20,914,062**	**21,248,589**	**-0.2%**
Cargo	736,107	614,245	793,019	791,258	791,258	791,258	791,258	791,258	791,258	791,258	791,258	791,258	2.6%
Total	**23,811,011**	**22,197,401**	**20,049,237**	**19,103,483**	**19,546,176**	**19,964,841**	**20,338,482**	**20,681,713**	**21,003,721**	**21,359,246**	**21,705,320**	**22,039,848**	**-0.1%**

[1] Assumes that the negative demand impact of the September 11, 2001 events would be permanent, and that American would implement a 20% cut in service at the Airport effective January 2003, in addition to significant cuts implemented following September 11 as reflected under the Base Case and the Sensitivity-High Case.

Source: Airport management for actual data; BACK Aviation Solutions and Official Airline Guide, Inc. for scheduled departures during the first half of FY 2003; and Unison-Maximus, Inc. for forecast data.

activity and pushed the economy into its third consecutive quarter of negative growth. Recent indicators, however, show that the recession is over and the economy is on its path to recovery. Real GDP growth has been positive during the last three quarters: 2.7% during the fourth quarter of 2001, 5.0% during the first quarter of 2002, 1.3% during the second quarter of 2002, and 3.1% during the third quarter of 2002.[25]

- ***Airline financial performance.*** The airline industry's financial performance has also tracked economic trends. The industry enjoyed six profitable years in the late 1990s, fueled by an increase in passenger volume and a booming economy. Business began to slow in 2001 with the mild economic recession; and airlines suffered huge losses from the impact of the September 11, 2001 Events. To help the airline industry, the federal government approved $15 billion in aid on September 21, 2001 under the Air Transportation Safety and System Stabilization Act.

  The industry is taking several, often difficult, steps to remain viable. Airlines reduced schedules, parked or retired aircraft, and deferred new aircraft delivery. Managing costs has taken top priority in the post-September 11 environment. Labor is the airlines' largest cost component. Airlines have had to reduce their workforces significantly since September 11; some of the furloughed employees are being called back to work as airlines build back their schedules. Fuel is the second largest cost component, and any increase in fuel prices would increase airline operating costs. However, fuel prices began to decline sharply in late 2001 as the worldwide economy faltered, and fuel productivity has steadily increased as airlines invested in more fuel-efficient aircraft and engines.[26] The Organization of Petroleum Exporting Countries (OPEC) continues to limit oil production to keep fuel prices from falling. The threat of war with Iraq and concern about potential disruption in oil shipments from the Persian Gulf is also pushing fuel prices up. Inspectors from the United Nations (UN) returned to Baghdad on November 18, 2002 to search for biological, chemical and nuclear weapons. The UN threatens "serious consequences" if Iraq fails to cooperate.[27]

  Huge financial losses have forced a few airlines, including Vanguard and US Airways, to petition for bankruptcy protection. Vanguard ceased operating altogether, while US Airways continues to operate and restructure. The bankruptcies of these airlines did not affect the Airport significantly. Vanguard did not operate at the Airport. US Airways has a small market share at the Airport; however, on November 22, 2002 the airline filed motions to reject certain gate leases between US Airways and the Airport. Though the Bankruptcy Court has not yet ruled on these motions, due to the deminimus nature of the payments due under the leases, this will not have a material impact on the Airport. On December 9, 2002 United filed for protection under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court; however, this airline also has a small market share at the Airport.

[25] U.S. Bureau of Economic Analysis in www.bea.doc.gov.
[26] Air Transportation Association, "A Report on Recent Trends for U.S. Air Carriers," *State of the U.S. Airline Industry*, 2002.
[27] Joe Carrol, "Crude Oil Surges on Concern Iraq will Impede Weapons Inspectors," *Top Financial News* at *www.Bloomberg.com.*

- ***Structural changes in the airline industry.*** Significant changes in the structure of the industry were underway well before September 2001. These changes, now accelerated by the September 11, 2001 Events, have intensified competition and moved carriers to increase efficiency and productivity, reduce operating costs, and lower fares. Low-cost, low-fare carriers are expanding rapidly – ensuring strong competition in the industry. Under pressure to reduce costs, high-cost carriers have responded by reducing employees, eliminating unprofitable routes or transferring those routes to regional partners, seeking work rule changes, deferring aircraft deliveries, and reducing salaries. The industry is also moving toward globalization, through the use of code-sharing agreements and alliances. The alliances have reduced costs through economies of scale and increased revenues and passenger traffic by expanding the reach of networks and providing seamless travel for passengers. Along with globalization, the international aviation community is also moving toward liberalization, creating new market opportunities for airlines and airports in the United States. In summary, the industry is dynamic and faces great uncertainty. Some of the changes in the industry could decrease air travel demand in the short run, but are expected to bring increased demand, increased air carrier efficiency, and reduced unit costs and fares in long run.[28]

- ***Structural changes in the market.*** Increased security costs in the post-September 11 environment could alter the travel propensity of different consumers. In the short run, the industry expects a shift in the mix of markets toward long-haul as travelers to short-haul markets increase their use of alternative transportation modes. In the long run, the industry expects business demand to become more price-sensitive due to the increase in the availability of substitutes such as videoconferencing and fractional ownership of corporate aircraft. Security concerns have also reduced the propensity of business travel, especially over shorter distances. Longer wait and processing times at the Airport have reduced the advantages of air travel over other modes of transportation. However, air travel for leisure increased during the 1990s due to increasing incomes and decreasing air fares – a trend that is expected to continue despite the September 11, 2001 Events.[29]

- ***Risk of other terrorist attacks and increased security measures.*** Other terrorist attacks on the United States or the airline industry could significantly alter traffic outcomes in ways and magnitude that we cannot predict. Following the September 11, 2001 Events, the Aviation and Transportation Security Act was enacted to make airport security the responsibility of the newly created Transportation Security Administration in the Department of Transportation. The legislation calls for tighter security at airports, which has had implications for airport finances and operations. Security costs could be shared by the federal government, the airlines, the airports, and the passengers.

- ***American Airlines.*** As the largest and system hub carrier at the Airport, changes in American's operations, beyond those identified in the forecasts, could alter traffic outcomes

[28] Federal Aviation Administration, *FAA Aerospace Forecasts, Fiscal Years 2002-2013*, March 2002, pages III-15 to 17.
[29] Federal Aviation Administration, *FAA Aerospace Forecasts, Fiscal Years 2002-2013*, March 2002, pages III-17 to 18.

at the Airport. Like the rest of the airline industry, American has incurred huge losses in 2001 and 2002. Responding to changing market conditions, American has implemented the following business changes: (1) de-peaking its ORD hub, (2) simplifying its fleet by reducing aircraft types, (3) launching several automation initiatives that improve customer service and enhance productivity, (4) changing distribution methods, (5) modifying its in-flight product, and (6) initiating a broad range of cost-savings programs. In addition, American announced in August the following initiatives: (1) de-peaking the DFW hub, (2) retiring its 74-jet Fokker 100 fleet to further the fleet simplification efforts from 14 fleet types to seven, (3) standardize, reconfigure, and consolidate a number of its fleet types for more efficient scheduling and increased utilization, (4) defer 35 aircraft deliveries in 2002 and cancel future deliveries, (5) reduce capacity by 9% in November, compared to summer 2002, (6) accelerate the retirement of its nine TWA 767-300 aircraft in November 2002, and (7) between August 2002 and March 2003, reduce 7,000 jobs to realign its workforce with the planned fall capacity reductions, fleet simplification, and hub restructurings. In November 2002, American began rescheduling flights at DFW to spread them out more evenly throughout the day (de-peaking).[30] Spoke cities are expected to enjoy increased efficiency and productivity as a result of de-peaking the ORD and DFW hubs; the St. Louis hub will not be affected significantly but presents a likely candidate for similar hub restructuring effort. Meanwhile, American announced plans to invest $14.6 million in the St. Louis hub to upgrade and bring the latest airport amenities to Concourses B, C, and D. According to American Airlines, "[t]his investment shows a long term commitment to the community, our customers, and our St. Louis employees, and it underscores our commitment to the St. Louis hub".[31]

- ***Southwest Airlines.*** Southwest, the country's premier low-cost, low-fare, short-haul, point-to-point carrier, is the only airline that has continued to earn a profit despite the economic downturn and the impact of the September 11, 2001 Events. The airline's presence at the Airport will continue to stimulate airline competition and traffic growth at the Airport.

- ***Presence of other airports in the St. Louis area.*** No other airport in the area poses significant competition to Lambert-St. Louis International Airport. The closest major commercial airports are more than 250 road miles from St. Louis. These are Kansas City International Airport in Kansas City, Missouri and Indianapolis International Airport in Indianapolis, Indiana. There are six other airports in the area, which are identified by the FAA as general aviation reliever airports: the Spirit of St. Louis, St. Louis Downtown Parks (in Illinois), St. Louis Regional (in Illinois), St. Charles Municipal, St. Charles County/Smart, and Creve Coeur. These airports have short runways and cannot accommodate large commercial aircraft. A new airport, MidAmerica Airport, opened in November 1997 in St. Clair County, Illinois, approximately 25 miles from downtown St. Louis. MidAmerica Airport, a joint-use facility with Scott Air Force Base, has a 10,000-foot runway and a four aircraft gate terminal, with capacity for 1.25 million annual enplanements[32] – much smaller

[30] American Airlines, "American Unveils Next Series of Fundamental Business Changes, "*News Releases*, August 13, 2002.
[31] American Airlines, "$21.7 Million Project will Upgrade American Airlines' St. Louis Terminals, Project Re-affirms American Airlines Commitment to St. Louis Hub," *News Releases*, September 18, 2002.
[32] *Scott Joint-Use Airport Revenue Forecasts*, February 8, 1993.

than the Airport. The airport currently owns land that can accommodate the expansion of the terminal to 85 gates; however, the current airport boundary cannot accommodate a second runway. MidAmerica Airport markets itself as a reliever airport for Lambert-St. Louis International Airport. Pan American Airlines operated at MidAmerica Airport briefly – from August 2000 through January 2002. At present, the airport has no commercial service, and airport officials are working to develop the facility as an air cargo center.[33]

F. SUMMARY

This section presents historical trends in air traffic activity at the Airport and forecasts of various measures of aviation activity. The main findings are outlined below:

- Enplanements increased from under one million in CY 1961 to 13.4 million in CY 2001. This represents an average annual increase of 6.8% over 41 years. Airport enplanements increased at an average annual rate of 4.8% between CY 1992 and CY 2000, outpacing the nationwide growth rate of 3.9% per year, and decreased 12.5% in CY 2001, more sharply than total U.S. enplanements, which fell by 6.9%.

- The demand for air travel has been recovering gradually and steadily since September 2001. As of August 2002, monthly enplanement levels at the Airport remain lower than the previous year's levels, but the percentage decreases are diminishing. During the first six months of 2002, the Airport outperformed the industry with smaller percentage losses in enplanements.

- Between CY 1991 and CY 2000, connecting enplanements grew at 8.1% per year, four times the growth rate of O&D enplanements (2.0% per year). In CY 2001 O&D and connecting enplanements at the Airport decreased by about the same proportion: 12.6% and 12.4%, respectively. Consequently, connecting traffic now accounts for the majority share of enplanements: 53% over the past three years.

- The Airport serves primarily domestic passengers, which constituted 98.1% of total enplanements in CY 2001. Domestic enplanements increased 4.9% per year between CY 1992 and CY 2000 and decreased 13.1% in CY 2001. International traffic accounted for less than 2% of total enplanements and grew at a slower pace than domestic traffic between CY 1992 and CY 2000. During CY 2001, however, international enplanements increased 30.5% due to a significant increase in international enplanements by American and its regional partners. The high growth in international traffic continues in CY 2002.

- TWA sold its assets to AMR Sub in April 2001 and was integrated with American beginning in December 2001. American now operates the system hub at the Airport and, together with regional partners, holds the largest share of enplanements – 76.6% in CY 2002. Southwest accounted for 12.8% of enplanements, the second largest share. Regional carriers have been increasing their share of enplanements at the Airport – 8.2% in CY 2001.

[33] Kimberly Johnson, "St. Louis Reliever Airport Loses Sole Carrier," *Airports*, January 8, 2002.

- As of June 2002, the Airport had 570 scheduled daily nonstop departures to 96 airport destinations in the United States and five airport destinations abroad. The trends show no reduction in service as a result of the TWA acquisition; significant cuts in capacity occurred after the September 11, 2001 Events.

- The volume of air cargo handled by the Airport increased from 246.2 million pounds in CY 1992 to 269.4 million pounds in CY 2001. Total air cargo grew at 1.9% per year between CY 1992 and CY 2000, and then decreased 6.1% in CY 2001. Freight accounted for 78.8% of air cargo and posted a proportionately smaller decrease compared to mail.

- There has been a general trend of growth in commercial operations at the Airport, partly offset by a retrenchment of general aviation and military operations.

- Total commercial aircraft landings decreased from 236,006 in CY 1997 to 222,318 in CY 2000 at an average rate of -2.0% per year, and then increased to 223,012 in CY 2001 due mainly to the increase in regional aircraft landings. Total landed weight increased from 23.8 billion pounds in CY 2000 at 0.3% per year, and then decreased 3.9% to 23.1 billion pounds in CY 2001. There have been changes in the mix of aircraft over time – initially toward the use of larger, heavier aircraft, and recently toward the use of smaller regional and commuter aircraft.

- After the September 11, 2001 Events, airlines reduced flights at the Airport. In September 2001, the Airport processed 15.6% fewer air carrier departures than in September 2000. For the entire FY 2002, air carrier departures were down 11.4% from the previous year's level. The average number of air carrier enplanements per departure decreased significantly following the September 11, 2001 Events. Passenger load has since recovered and recorded improvements over previous year's levels beginning in February 2002.

- Regional aircraft departures have been increasing since September 2001. The growth in regional aircraft departures was temporarily set back in September and October 2001, and resumed in subsequent months. Overall regional aircraft departures increased 11.7% in FY 2001 and 9% in FY 2002. The average number of enplanements per regional aircraft departure has also been increasing.

- Unison analyzed actual data for July 2002 and published airline schedules for the August 2002-December 2003 period to project airport activity in FY 2003. Activity is projected to decrease very slightly in FY 2003 with enplanements 0.025% lower than previous year's level, aircraft departures 0.9% lower, and total landed weight 3.6% lower. In particular air carrier activity will bear all the projected decreases; regional activity is projected to increase significantly as major/national airlines transfer routes to their regional partners.

- Unison performed multivariate regression analysis to develop enplanement forecasts for the FY 2003-2012 under three scenarios: (1) a Base Case that assumes permanent negative demand effects from the September 11, 2001 Events, (2) a Sensitivity-High Case that assumes transitory negative demand effects, and (3) a Sensitivity-Low Case that assumes permanent negative effects from the September 11, 2001 Events as in the Base Case and further cuts in American's service at the Airport effective January 2003.

- Under the Base Case, enplanements are projected to reach 15.3 million in FY 2012, growing at 1.9% per year on average from FY 2002. The growth in regional enplanements is projected to outpace the growth in air carrier enplanements: 6.1% per year compared with 1.3% per year on average. The growth in O&D enplanements is projected to outpace the growth in connecting enplanements: 2.2% per year compared with 1.7% per year on average. The growth in international enplanements is projected to outpace the growth in domestic enplanements: 3.1% per year compared with 1.9% per year on average. Regional operators, O&D traffic, and international traffic are projected to increase their relative market shares at the end of the forecast period. Total aircraft departures are projected to reach 233,397 in FY 2012, growing at 1.0% per year on average from FY 2002. The total landed weight is projected to reach 25.3 billion pounds in FY 2012, growing at 1.3% per year on average from FY 2002.

- Under the Sensitivity-High Case, enplanements are projected to reach 18.1 million in FY 2012, growing at 3.7% per year on average from FY 2002. The growth in regional enplanements is projected to outpace the growth in air carrier enplanements: 8.0% per year compared with 3.0% per year on average. The growth in O&D enplanements is projected to outpace the growth in connecting enplanements: 3.9% per year compared with 3.5% per year on average. The growth in international enplanements is projected to outpace the growth in domestic enplanements: 4.9% per year compared with 3.7% per year on average. Regional operators, O&D traffic, and international traffic are therefore projected to end the forecast period with relatively larger market shares. Total aircraft departures are projected to reach 276,283 in FY 2012, growing at 2.7% per year on average from FY 2002. The total landed weight is projected to reach 29.8 billion pounds in FY 2012, growing at 3.0% per year on average from FY 2002. The slightly higher growth rate in total landed weight compared total aircraft departures reflects fleet changes that are expected to increase the average aircraft size over time.

- Under the Sensitivity-Low Case, enplanements are projected to decrease to 11.3 million in FY 2004 and reach 13.3 million in FY 2012, averaging an annual growth rate of 0.5% over the forecast period. Aircraft departures are projected to increase to 212,777 in FY 2012 at an annual rate of 0.1%, and total landed weight is projected to reach 22.0 billion pounds in FY 2012, averaging an annual growth rate of –0.1%.

SECTION V
FINANCIAL ANALYSIS

This section reviews the framework for the financial operation of the Airport (including key provisions of the Indenture and the Airport Use Agreements), reviews the recent historical financial performance of the Airport, and examines the ability of the Airport to generate sufficient Revenues in each year of the forecast period (FY 2003 through FY 2008) to (1) pay Operation and Maintenance Expenses and meet all of the other funding requirements of the Indenture and (2) satisfy the Additional Bonds Test. This section also discusses the information and assumptions underlying the financial forecasts. The base case financial forecast, which is set forth in various tables, includes revenues, operation and maintenance expenses, net revenues, aggregate debt service, debt service coverage, and the application of revenues to funds and accounts established under the Indenture. This section closes with a discussion of a sensitivity analysis (Base and Sensitivity case) that was used to measure the range of volatility of net revenues based on different forecast assumptions, as previously discussed in Section IV, and a review of the results of the additional bonds test.

A. FRAMEWORK FOR AIRPORT FINANCIAL OPERATIONS

1. <u>Indenture</u>

The 2002 Bonds are being issued pursuant to the Amended and Restated Indenture of Trust (the Restated Indenture) dated as of October 15, 1984, and amended and restated as of September 10, 1997, as amended and supplemented, including by the Ninth Supplemental Indenture dated as of December 1, 2002 (collectively, the Indenture). The 2002 Bonds are limited obligations of the City payable solely from Revenues (as defined in the Indenture).

Section 811 of the Restated Indenture requires the City to:

> ...at all times while any Bonds shall be outstanding, establish, fix, prescribe and collect such rates, fees, rentals and other charges for the use of the Airport as shall be reasonably anticipated to provide in each Airport Fiscal Year an amount so that the Revenues shall be sufficient to pay the Aggregate Debt Service for such Airport Fiscal Year and to provide the funds necessary to make the required deposits in and maintain the several Funds and Accounts established in Article V of the Restated Indenture, and in any event, as shall be required to pay or discharge all indebtedness, charges and liens whatsoever payable out of Revenues under the Restated Indenture.

This provision is referred to as the Rates and Charges Covenant.

Only the 2002 CIP Bonds are considered Additional Bonds under the Indenture. As a condition for the issuance of Additional Bonds, the Indenture requires that the following items be prepared and delivered:

> A certificate of the Airport Consultant setting forth for each of the three Airport Fiscal Years following the Airport Fiscal Year in which the Consulting Engineers estimate the Project or any such Additional Project will be completed, estimates of (a) Net Revenues and (b) amounts to be deposited from Revenues into the Debt Service Reserve Account, the Renewal and Replacement Fund, and the ADF; and
>
> A certificate of an Authorized Officer of the City setting forth (a) the estimates of Net Revenues, as set forth in the certificate of the Airport Consultant... (b) the estimates of the amounts to be deposited in certain funds and accounts from Revenues as set forth in the certificate of the Airport Consultant..., and (c) the Aggregate Adjusted Debt Service, determined after giving effect to the issuance of such Additional Bonds and including the Aggregate Debt Service...with respect to future Series of Bonds, if any, [estimated to be] required to complete payment of the Cost of Construction of the Project..., and demonstrating that the estimated Net Revenues in each of the Airport Fiscal Years set forth in (a) above is at least equal to 1.25 times Aggregate Adjusted Debt Service for the corresponding Airport Fiscal Year...

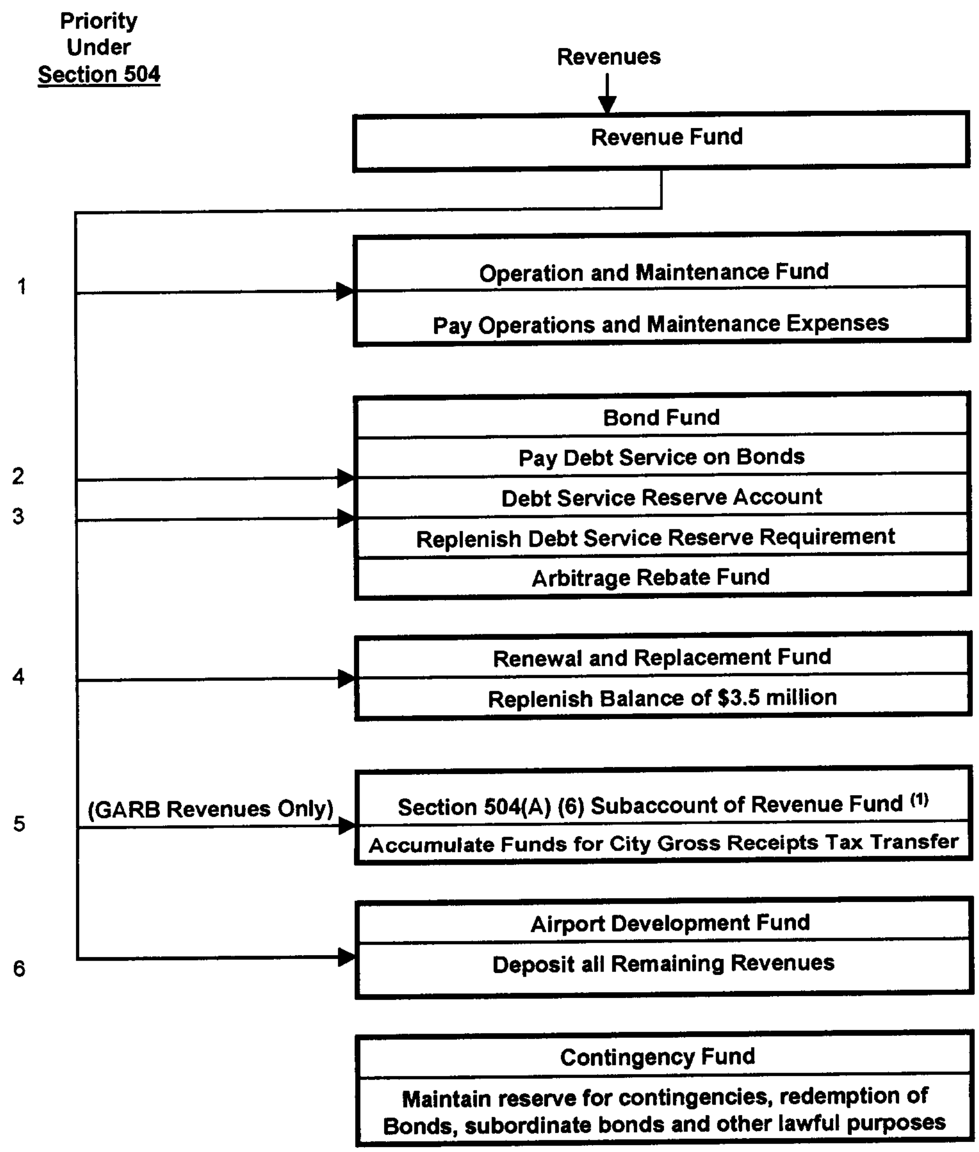
These provisions are referred to as the Additional Bonds Test. This report has been prepared in part to assist the City in complying with the provisions of the Additional Bonds Test.

Exhibit V-1 depicts the application of Revenues to the funds and accounts established by the Indenture. The Revenues are first deposited in the Airport Revenue Fund and then in the Operation and Maintenance (O&M) Fund to pay O&M Expenses. The remaining Airport Revenues are then deposited, in the following order of priority: in the Bond Fund (for payment of Aggregate Debt Service); in the Debt Service Reserve Account (to restore any deficiency and maintain a balance equal to the Debt Service Reserve Requirement); in the Arbitrage Rebate Fund (the amount necessary to fund the Arbitrage Rebate Fund in order to pay the Rebate Amount); in the Renewal and Replacement Fund (to maintain a balance of $3.5 million); in the City General Fund (to pay the 5% gross receipts tax required under Section 504.B); and the remainder to the ADF.

2. Airport Accounting and Financial Reporting

The City operates the Airport as an enterprise fund in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities. Financial statements for the Airport are prepared each fiscal year based on GAAP and audited by independent certified public accountants. The Airport also maintains internal financial statements, which contain more detailed itemization of revenues and expenses.

Exhibit V-1
Application of Airport Revenues
Under the Indenture



(1) Referenced in Section 504 (A) (6) of Restated Indenture.

The financial forecasts presented in this Report are based on the accounting principles of the Indenture. **Table V-1** summarizes historical *net income*, (as determined under GAAP) and historical *Net Revenues* (as determined under the accounting principles of the Indenture) for the past five Fiscal Years and shows the reconciliation of net income to Net Revenues. The major differences in the two bases of accounting are as follows:

- Under GAAP, operating revenues exclude interest income and PFC revenue; however, *all* interest income and *all* PFC revenues are reported as nonoperating revenues and are part of reported *net income*. Under the Indenture, Revenues include all interest income other than interest on the Construction Fund and only those PFC revenues that are specifically pledged as Revenues.

- Under GAAP, operating expenses *include* depreciation, interest and grant funded expenses; under the Indenture, Operation and Maintenance Expenses specifically *exclude* depreciation, interest and all expenses funded with grants.

- Under GAAP, bond interest is recognized as an expense in calculating net income; however, bond principal is not recognized as an expense; under the Indenture, neither bond interest nor bond principal is recognized as an expense in calculating Net Revenue.

Table V-1 presents a summary of historical Airport revenues, expenses, and operating income (loss) as obtained from the City's audited financial statements for FY 1998 through FY 2002. As indicated in **Table V-1**, Net Revenues increased to $77.9 million in FY 2002 primarily due to the inclusion of Pledged PFC Revenues of $21.9 million. However, excluding PFC Pledged Revenues, Net Revenues declined approximately $8.7 million or 8.8% largely due to higher Personal Services expenses attributed to a sharp increase in the employee retirement contribution and an increase in salaries and overtime, partially due to the economic downturn and the September 11, 2001 Events.

The last audited financial statements of the Airport for the Fiscal Year ended June 30, 2002 are included in their entirety in the Official Statement.

3. Airport Cost Accounting

Airport management has implemented a cost/revenue accounting system to facilitate the monitoring of revenues and operating expenses and the calculation of Airport rates and charges. Cost/revenue centers include:

- Airfield
- Terminal (further divided into specific terminal and concourse areas)
- Cargo
- Hangar and Other Buildings

Table V-1
SUMMARY OF HISTORICAL FINANCIAL OPERATIONS
Lambert-St. Louis International Airport
For Fiscal Years Ending June 30
(all figures in thousands)

	1998	1999	2000	2001	2002
Statement of Net Income (GAAP)					
Operating revenues	$95,790	$105,598	$115,743	$120,403	$119,289
Operating expenses					
Maintenance and operating expenses	53,796	58,670	57,990	64,784	72,478
Depreciation and amortization	26,358	30,865	32,347	33,429	32,380
City Gross Receipts Tax	4,076	4,787	5,052	0	0
Other	0	0	0	0	0
Total	$84,230	$94,322	$95,389	$98,213	$104,858
Operating income	$11,560	$11,276	$20,354	$22,190	$14,431
Nonoperating revenues (expenses)					
PFC revenues	38,766	37,158	43,819	44,456	40,750
Interest income	24,193	20,093	17,293	27,882	31,047
Interest expense	(26,207)	(27,635)	(25,997)	(32,506)	(44,988)
Other	(1,060)	201	629	(66)	150
Total	$35,692	$29,817	$35,744	$39,766	$26,959
Net income	$47,252	$41,093	$56,098	$61,956	$41,390
Statement of Net Revenues (Trust Indenture)					
Revenues					
GARB Revenues					
Operating revenue	95,790	105,596	115,743	120,403	119,289
Interest income (excluding construction funds)	7,330	6,914	6,533	8,170	8,282
Total GARB Revenues	$103,120	$112,510	$122,276	$128,573	$127,571
Pledged PFC Revenues	0	0	0	0	21,894
Total Revenues	$103,120	$112,510	$122,276	$128,573	$149,465
Operation and Maintenance Expenses	52,833	57,736	56,688	63,860	68,387
Net Revenues	$50,287	$54,774	$65,588	$64,713	$81,078
Transfers					
Bond Fund (for Aggregate Debt Service)					
Renewal & Replacement Fund	0	0	0	0	0
City General Fund (Sec 5.04(B) transfer)	4,076	4,787	5,052	4,143	5,152
Development Fund					
Total	$4,076	$4,787	$5,052	$4,143	$5,152
Reconciliation of Net Income to Net Revenues					
Net income	$47,252	$41,093	$56,098	$61,956	$41,390
add back:					
Depreciation and amortization	26,358	30,865	32,347	33,429	32,380
Interest expense	26,207	27,635	25,997	32,506	44,988
City Gross Receipts Tax	4,076	4,787	5,052	0	0
Pledged PFC Revenues	0	0	0	0	21,894
Air Cargo Settlement	0	0	0	0	0
Write-off of portion of Old East Terminal	1,500	0	0	0	0
TSA - Contractual Guard Posts (grant funded)	0	0	0	0	1,097
Acoustical Treatment (grant funded)	0	0	0	0	1,868
deduct:					
PFC revenues	(38,766)	(37,158)	(43,819)	(44,456)	(40,750)
Interest income on construction bonds / PFC	(16,863)	(13,179)	(10,760)	(19,712)	(22,765)
Other adjustments (net)	523	731	673	990	976
Net Revenues	$50,287	$54,774	$65,588	$64,713	$81,078

- Parking
- Roads and Grounds

Revenues are accounted for by cost/revenue center and by type. Operating expenses are accounted for by object classification and assigned or allocated to cost/revenue centers. Overhead expenses are allocated to cost/revenue centers based on the "direct expense method."

4. Airport Use Agreements/Airline Rates and Charges Methodology

The City has entered into essentially identical Use Agreements with all of the major and regional airlines serving the Airport. The term of the Use Agreements extends to December 31, 2005. The Airport Use Agreements set forth the procedures for calculating landing fees and terminal rents as well as certain other ancillary fees. Airline rates and charges are assessed to the airlines to support the primary activities of the Airport—the Airfield and the Terminal Complex (including the Main Terminal, East Terminal, and the concourses). In FY 2002, landing fees and terminal rents for signatory and nonsignatory airlines together accounted for $63.7 million, or approximately 50%, of total GARB Revenues.

Landing Fees. Under the terms of the Airport Use Agreements, the Signatory Airlines are responsible for paying landing fees in the amounts necessary to recover net annual airfield expenses after deducting the fees and charges paid by other airfield users. This method is known as a "cost center residual" rate methodology. Total airfield expenses include allocated airport maintenance and operating expenses, depreciation and interest on Airfield assets placed in service prior to July 1, 1997, amortization of Airfield assets placed in service on or after July 1, 1997, and interest on the City's investment in Airfield land. Credits against these costs include general aviation fuel; flowage fees and nonsignatory airline landing fees. It is the City's policy to charge nonsignatory airlines 125% of the Signatory Airline landing fee rate. At the end of each fiscal year, any overpayments or underpayments are properly adjusted on the subsequent year's billing for Signatory Airlines. Beginning with FY 1999, Non-Signatory Airlines' billings are also adjusted for the overpayments and underpayments.

Terminal Rents. Under the terms of the Airport Use Agreements, the Signatory Airlines are charged annual terminal rental rates to recover costs allocable to terminal cost centers. These costs include: allocated terminal maintenance and operating expenses, depreciation and interest charges on assets placed in service prior to July 1, 1997, and amortization of terminal assets placed in service on or after July 1, 1997. The total costs attributable to each terminal sub-cost/revenue center are divided by the gross space associated with that cost center to determine the applicable rate. In this way, the airlines pay only for the space they occupy and use, and the City absorbs costs attributable to nonairline and unoccupied airline space from concession and other nonairline revenues generated in the terminals and in other cost/revenue centers (e.g., parking and ground transportation). Nonsignatory airlines are charged terminal rental rates equal to the rates charged to the Signatory Airlines.

Since FY 1999, the Signatory Airlines' rates have been calculated and adjusted on a fiscal year basis. (Prior to FY 1999, rates were calculated and adjusted on a calendar year basis.) After the close of each fiscal year, an annual settlement calculation is made and any underpayments are charged or overpayments credited back to the Signatory Airlines (and Non-Signatory Airlines for landing fees).

5. TWA Asset Use Charge

In 1993, the City purchased certain assets from TWA including TWA's leasehold interest in its terminal facilities and other Airport support facilities. The agreement that governed this transaction allowed TWA to continue to use these assets on a month-to-month basis, and obligates TWA to pay asset use charges for such use. Under the terms of the use agreement, the asset use charges are established at rates and terms sufficient to recover the City's investment plus interest costs, based on an amortization schedule tied to the remaining term of the Airport Use Agreement (which expires December 31, 2005). The asset use charges amount to approximately $7.8 million annually. This charge became the obligation of AMR Sub as a result of the sale of assets by TWA to AMR Sub on April 9, 2001, and the assumption and assignment to AMR Sub of all of TWA's agreements with the City. Additionally, any other airline that uses these AMR Sub assets would be subject to the asset use charges.

B. REVENUES

Under the Indenture, Revenues consist of GARB Revenues, Pledged PFC Revenues (defined herein) and any other available moneys deposited in the Revenue Fund. GARB Revenues include Signatory Airline fees, concession fees, other operating revenues, the asset use charges, and interest income. Historical Revenues for Fiscal Years 1998 through 2002 are shown in **Table V-2**. Beginning in FY 2002, Pledged PFC Revenues became a part of total revenues and consist of a portion of the passenger facility charges pledged to the payment of a portion of the 2001A ADP Bonds debt service. This use was previously approved by the FAA and approved by the City.

The average annual increase in GARB Revenues over the five-year period was approximately 5.5%. The growth in GARB revenues was largely due to gradual increases in Signatory Airlines Fees, due largely to the completion of various airfield and terminal projects during the period. In addition, there was growth in the Other Operating Revenues primarily resulting from the leased space from Boeing and the steady increase in non-signatory airline traffic. The additional increase in Total Revenues was solely due to recognizing the first year of Pledged PFC Revenues in FY 2002.

TABLE V-2

SUMMARY OF HISTORICAL REVENUES
Lambert-St. Louis International Airport
For Fiscal Years Ending June 30
(in thousands)

	Avg. Annual Growth Rate		Historical (1)				
	1998-2001	1998-2002	1998	1999	2000	2001	2002
Signatory Airlines Fees							
Airfield Landing Fees	6.3%	4.6%	$33,243	$37,201	$37,887	$39,981	$39,757
Terminal Rents	10.8%	8.4%	15,050	16,900	21,016	20,468	20,794
Total	7.8%	5.8%	$48,293	$54,101	$58,903	$60,449	$60,552
Concession Fees							
Terminal Concessions	9.2%	0.4%	$7,827	$9,434	$10,125	$10,200	$7,969
Public Parking	11.4%	-1.9%	9,691	10,949	12,394	13,382	8,993
Car Rentals	7.3%	3.1%	8,640	9,249	9,834	10,675	9,779
Space Rental	20.2%	17.8%	776	1,200	1,267	1,347	1,495
In-Flight Catering	2.1%	18.5%	860	828	987	917	1,697
Other	32.4%	27.1%	1,297	1,447	2,519	3,011	3,386
Total	10.8%	3.5%	$29,091	$33,107	$37,126	$39,532	$33,318
Other							
Non-Signatory Landing Fees	17.7%	8.5%	$1,900	$2,263	$2,805	$3,095	$2,632
Non-Signatory Airlines-Terminal	8.7%	17.8%	269	276	283	345	517
Total	16.6%	9.8%	$2,169	$2,539	$3,088	$3,440	$3,149
Cargo	6.9%	4.9%	$1,633	$1,841	$2,165	$1,995	$1,975
Hangars and Other Buildings	-11.4%	61.8%	694	565	492	483	$4,748
Tenant Improvement Surcharge	-17.4%	-13.3%	534	(164)	184	301	$301
Employee Lot	-0.2%	-3.2%	1,665	1,543	1,593	1,658	$1,463
Other Miscellaneous	6.7%	11.3%	3,883	4,236	4,362	4,716	5,954
Total Other-Operating	6.0%	13.6%	$10,578	$10,560	$11,885	$12,593	$17,591
TWA Asset Use Charges	0.0%	0.0%	$7,829	$7,829	$7,829	$7,829	$7,829
Total Operating Revenue	7.9%	5.6%	$95,790	$105,596	$115,743	$120,403	$119,289
Interest Income (2)	3.7%	3.1%	$7,330	$6,914	$6,533	$8,170	$8,282
Total GARB Revenues (3)	7.6%	5.5%	$103,119	$112,510	$122,276	$128,573	$127,571
PFC Pledged Revenue							
PFC Revenue			$0	$0	$0	$0	$21,894
Total Revenues	7.6%	9.7%	$103,119	$112,510	$122,276	$128,573	$149,465

1. Based on audited financial statements; FY'98 through FY '02.
2. Excludes Construction Fund, PFC and Forward Purchase Interest.
3. Excludes PFC Revenue and Interest, Construction Fund Interest as further defined in the 8th Supplemental Indenture.. income; includes all other Interest Income.

Table V-3 presents forecasts of Revenues for the six-year period FY 2003 through FY 2008. The components of the major revenue accounts and the underlying assumptions for the forecasts are discussed below.

1. Signatory Airline Rates and Charges

Signatory Airline fees consist of landing fees and terminal building space rentals received from the signatory airline carriers according to the Airport Use Agreement. Ten air carriers have executed Airport Use Agreements with the Airport: American[1], America West, Continental, Delta, Northwest, US Airways, Southwest, Trans States, Chautauqua, and United.

As shown in **Table V–2,** Signatory Airline fees increased from $48.3 million in FY 1998 to an estimated $60.6 million in FY 2002 or an average annual growth rate of 5.8%. However, the growth during FY 2002 was relatively flat, largely due to several projects being deferred due to the Airlines request and Airport management judgment following the September 11, 2001 Events.

As shown in **Table V–3,** Signatory Airline fees are projected to increase from $66.7 million in FY 2003 to $111.8 million by FY 2008. Beginning in FY 2006, the City intends to begin recovering amortization of ADP-related projects costs financed with ADF funds and Bonds as well as certain historical (pre-ADP) costs that were deferred by agreement with the airlines until the completion of the new runway. Over half of this increase is projected to occur in FY 2007, which is the year following the estimated completion and beneficial occupancy of the new runway. The remaining portion of the increase occurs between FY 2003 and FY 2005, which results from the amortization of various other new airfield and terminal projects—projects that were financed with the 1997 Bonds or the 2002 Bonds.

Table V-4 summarizes the calculation of Signatory Airline landing fees, terminal rents and cost per enplaned passenger for the FY 2003–FY 2008 forecast period. Although the Airport Use Agreement expires December 31, 2005 the calculations in **Table V-4** are based on the existing Airport Use Agreement. The average Signatory Airline cost per enplaned passenger is forecast to increase from $5.46 in FY 2003 to $8.14 in FY 2008. Based on the latest American Association of Airport Executives (AAAE) Rates and Charges Survey for other large hub airports for the period ending 2001, the average cost per enplanement was $8.95, therefore, the cost per enplanement for the forecast period appears reasonable.

[1] On April 9, 2001, TWA sold all of its assets to a wholly owned subsidiary of American Airlines Inc. (AMR Sub). In connection with the sale, TWA assumed and assigned to AMR Sub all agreements and leases between TWA and the City.

Table V-3
FORECASTED AIRPORT REVENUES
BASE CASE
Lambert-St. Louis International Airport
Fiscal years Ending June 30
(in thousands)

AIRPORT REVENUES	Avg. Annual Growth Rate		Forecast					
	1998-2002	2002-2008	2003	2004	2005	2006	2007	2008
Signatory Airlines								
Airfield Landing Fees	4.6%	12.1%	$42,877	$46,277	$47,317	$52,544	$77,780	$78,902
Terminal Rents	8.4%	8.0%	23,904	26,333	27,805	31,638	32,626	32,946
Total	5.8%	10.8%	$66,781	$72,611	$75,122	$84,182	$110,406	$111,849
Concession Fees								
Terminal Concessions	0.4%	6.2%	$7,781	$8,529	$9,966	$10,445	$10,943	$11,464
Public Parking	-1.9%	9.9%	8,854	11,062	14,946	15,293	15,637	15,867
Car Rentals	3.1%	2.3%	8,850	9,387	9,827	10,278	10,746	11,181
Space Rental	17.8%	3.0%	1,540	1,586	1,633	1,682	1,733	1,785
In-Flight Catering	18.5%	5.0%	1,747	1,862	1,959	2,060	2,164	2,274
Other	27.1%	2.8%	3,472	3,569	3,670	3,773	3,878	3,987
Total	3.5%	5.7%	$32,244	$35,996	$42,001	$43,531	$45,101	$46,557
Other								
Non-Signatory Landing Fees	8.5%	14.9%	$3,501	$3,706	$3,743	$4,109	$6,022	$6,047
Non-Signatory Airlines-Terminal	17.8%	3.0%	532	548	564	581	599	617
Total	9.8%	13.3%	$4,033	$4,254	$4,308	$4,690	$6,621	$6,664
Cargo	4.9%	3.0%	$2,034	$2,096	$2,158	$2,223	$2,290	$2,359
Hangars and Other Buildings	61.8%	-14.9%	7,960	8,015	1,895	1,700	1,751	1,805
Tenant Improvement Surcharge	-13.3%	-100.0%	301	301	301	151	0	0
Employee Lot	-3.2%	3.0%	1,507	1,552	1,599	1,647	1,696	1,747
Other Miscellaneous	11.3%	-2.0%	6,374	6,514	4,843	4,982	5,125	5,274
Total Other-Operating	13.6%	0.2%	$22,211	$22,732	$15,105	$15,392	$17,483	$17,849
TWA Asset Use Charges	0.0%	-100.0%	$7,829	$7,829	$7,829	$3,914	$0	$0
Total Operating Revenue	5.6%	6.7%	$129,064	$139,167	$140,056	$147,020	$172,990	$176,255
Interest Income	3.1%	-1.8%	$8,532	$8,326	$9,127	$7,895	$7,557	$7,419
Total GARB Revenues	5.5%	6.3%	$137,596	$147,493	$149,184	$154,915	$180,547	$183,674
PFC Pledged Revenue		2.9%	18,766	18,766	18,766	18,766	26,004	26,007
Total Revenues	9.7%	5.8%	156,363	166,259	167,950	173,681	206,551	209,681

1. Excludes PFC Revenues, and PFC Interest Income.
2. Enplanements are on a fiscal year basis.

Table V-4
SUMMARY OF AIRLINE REVENUES, COST PER ENPLANED PASSENGER AND RATES
BASE CASE
Lambert-St. Louis International Airport
For Fiscal Years Ending June 30
(in thousands)

	Forecast					
	2003	**2004**	**2005**	**2006**	**2007**	**2008**
SIGNATORY AIRLINE REVENUES						
Landing Fees	$42,877	$46,277	$47,317	$52,544	$77,780	$78,902
Terminal Building Rentals						
Main terminal	$7,070	$7,746	$7,895	$8,213	$8,464	$8,590
Concourses A, B & C	5,772	6,182	6,793	8,319	8,635	8,789
Concourse C extension	3,638	3,935	3,883	4,186	4,326	4,211
Concourse D	2,214	2,427	2,530	3,649	3,750	3,812
East connector	443	494	513	601	628	636
East terminal	4,767	5,007	5,106	5,585	5,739	5,824
AA Tenant Surcharge		542	1,085	1,085	1,085	1,085
	$23,904	$26,333	$27,805	$31,638	$32,626	$32,946
TOTAL SIGNATORY AIRLINE REVENUES-- BASIC RATES AND CHARGES	$66,781	$72,611	$75,122	$84,182	$110,406	$111,849
Signatory airline enplaned passengers	12,242	12,668	12,939	13,204	13,470	13,740
Cost per enplaned passenger	$5.46	$5.73	$5.81	$6.38	$8.20	$8.14
SIGNATORY AIRLINE RATES						
Landing Fee Rate (per 1,000 pounds)	$2.13	$2.24	$2.24	$2.44	$3.55	$3.53
Average Terminal Building Rental Rates						
Main Terminal	$40.99	$45.45	$46.44	$48.53	$50.19	$51.02
Concourses A, B, and C	$30.24	$32.39	$35.59	$43.58	$45.24	$46.04
Concourse C Extension	$43.87	$47.45	$46.83	$50.48	$52.17	$50.78
Concourse D	$38.50	$42.24	$44.06	$63.76	$65.54	$66.62
East Connector	$25.80	$28.76	$29.83	$35.00	$36.54	$37.02
East Terminal	$41.47	$43.97	$45.00	$49.98	$51.58	$52.46

The Signatory landing fee rate is forecast to increase from $2.13 in FY 2003 to $3.53 in FY 2008. As indicated previously, the increase is largely due to the amortization of the runway costs during FYs 2006 and 2007. Terminal building rental rates, as summarized on **Table V-4**, are forecast to increase gradually during the forecast period largely as a result of amortization of various terminal and concourse projects and increase in O&M expenses.

We believe the forecasts of Signatory Airline rates and charges and average cost per enplaned passenger are reasonable in comparison with other major airports that have undertaken major expansion programs. However, Phase I of the ADP does not include major terminal expansion that may be undertaken at the Airport during the forecast period. Such expansion, if undertaken, could substantially increase the projected airline rates and average cost per enplaned passenger.

2. <u>Concession Fees</u>

Concession fees include terminal concessions (food and beverage, news and gifts, and coin devices), public parking, car rentals, ground transportation, space rental, in-flight catering and other (comprised of utility reimbursements and advertising).

During the FY 1998-FY 2002 period, concession fees increased at an average annual rate of 3.5%. However, during the period FY 1998-2001 the rate of growth was approximately 10.8%, primarily due to the opening of the new East Terminal in April 1998, concession space expansion in the Main Terminal, including the introduction of various new concepts, and increases in public parking rates. The healthy growth during the FY 1998–2001 period was adversely affected by the September 11, 2001 Events and due to an overall economic slowdown. Concession revenues decreased during FY 2002 by $6.2 million or 16% primarily attributable to declines in public parking, news and gifts and coin devices.

Concession fees are forecast to increase from $32.2 million in FY 2003 to $46.6 million in FY 2008, which represents an average annual growth rate of 5.7 %. This growth is supported by the following assumptions:

- Anticipated growth in parking revenues as a result of (i) completion of the Cypress parking facility in July 2003, which will increase long-term parking capacity approximately 1,250 spaces, (ii) a rate increase in the long term rates of $1 per day effective August 2002, and (iii) an anticipated price increase in the short term parking rates of $0.50 per hour and $1 per day for the long-term parking rates during the 1st quarter of FY 2004.

- Anticipated increase in revenues generated from additional concession and merchandising concepts resulting from the completion of the Concourse C Retail Development project scheduled for completion in FY 2004 as well as the implementation of various other concession concepts scheduled for FYs 2004 and 2005. Also, more news and gift stores and merchandising concepts will be added during FY 2005. Both the food and beverage, and news and gifts concepts are discussed in more detail in the terminal concessions discussion.

- Anticipated average annual growth increase of approximately 2% in passenger enplanements during the forecast period. The Base case forecast assumes a permanent decline in passenger traffic and a steady growth from the lower FY 2002 base.

- Estimated inflationary/consumption factor rate of 3%.

The major concession categories are:

a) *Terminal Concessions*. During the FY 1998-FY 2002 period, revenues from terminal concessions increased at an average annual rate of less than 1%. However, for the period FY 1998–2001 the average annual growth was 9.2%. Terminal concession revenues decreased during FY 2002 by $2.2 million or 23%, which consisted of; $1.2 million from coin devices caused by the loss of the Southwestern Bell's minimum annual guarantee (MAG), and $0.6 million from merchandising due to a 16% decline in enplanements resulting from the September 11, 2001 Events and an overall decline in the economy.

Food and beverage is the major revenue source of terminal concession revenues. In FY 2002, the Airport received approximately $5.1 million from food and beverage concessions, representing approximately 63.8% of terminal concession revenues. Host International, Inc., operates the food and beverage concessions at the Airport under a contract that extends to January 31, 2013. Host pays the City percentages of its gross revenues, which range from 10-12% for food and 15-17% for alcoholic beverages. Food and beverage revenues for the period FY 1998 – 2001 realized an average annual growth rate of 8.3%, however the rate of growth for FY 2002 was relatively flat. During FY 2002 the concessionaire paid the MAG for this category, which makes up approximately 80% of the total revenues received. The MAG for food and beverage is projected to range from $4.1 million in FY 2003 to $5.5 million by FY 2008.

News/gift and other merchandising concessions accounted for an estimated 27.5% or $2.2 million of terminal concession revenues in FY 2002. The Paradies Shops Inc. operates the news and gifts concessions at the Airport under a contract that extends to June 30, 2008. Paradies pays the City various percentage fees based on the type of outlet: 18% for the PGA Shop merchandise, 5% on newspapers, 10% on magazines and sundries, and 12% on retail court merchandise. Revenues for this category during the period FY 1998 – 2001 averaged 10.4%, however revenues decreased during FY 2002 by approximately 20%. The decrease in revenues was directly attributed to the decline in enplanements resulting from the September 11, 2001 Events.

Concession for coin-operated machines generated approximately $0.7 million during FY 2002. Revenues during the period FY 1998 – 2001 resulted in an average growth rate of 11%, however the revenues declined during FY 2002 by approximately 66%. This decrease was primarily due to the expiration of the Southwestern Bell agreement in late FY 2001, which resulted in the MAG being discontinued (which was approximately $1.5

million annually) in favor of a percentage of actual sales method. The new one-year contract began May 1, 2001 and includes 2 one-year renewal options.

The forecast period for terminal concessions anticipates the Airport will continue to focus on new retail concepts with the objective of increasing variety and appeal of food and beverage offerings and merchandising concepts. Overall, the Airport plans to add approximately 11,000 square feet of concession space, primarily in under served areas in Concourses C and D. This includes the Concourse C Retail Expansion, which is one of the Series 2002 bond projects consisting of over 4,600 square feet of space that will result in a new full service Italian restaurant, Sbarro, and a sandwich shop called St. Louis Bread. Additionally other new concepts planned for FY 2004 and 2005 include, Starbucks, Krispy Kreme, Burger King Express and Frankly Gourmet -- all national brand stores. Based on early estimates, the Airport is anticipating incremental revenues of approximately $900,000 annually following the completion of these concepts. The new merchandising concepts, which include Brooks Brother Store and an additional news and gifts store are expected to add $200,000 annually beginning in FY 2005.

In addition to the new concession concepts, an assumed annual inflation/consumption factor rate of 3% coupled with rate of enplanement growth are assumed in the terminal concession revenues forecast. Net concession revenues to the City are computed based on the terms (percentages and MAGs) of the individual concession agreements.

b) *Public Parking*. During FY 2002, APCOA submitted a formal request to discontinue the operating agreement to manage the Airport's public parking facilities. The termination agreement between APCOA and the City was dated August 28, 2002. Following this termination, the Airport identified an interim operator, Central Parking Systems of St. Louis Inc (CPS) and executed an agreement dated August 30, 2002. This operating agreement is essentially the same as the former APCOA contract; however, the term is for a shorter period September 1, 2002 through February 28, 2003 with one option term that could extend the agreement three months to May 31, 2003. Under the current agreement, CPS is responsible for operating the public parking facilities, including operating the shuttle bus service connecting the terminals to the intermediate and remote lots. Additionally, CPS collects all parking revenues, retains amounts for approved operating and administrative expenses and any capital improvements with the balance being remitted to the City. The current contract also includes funding to develop a marketing program to identify different concepts to increase net public parking revenues. The Airport is in the process of rebidding this contract in the last calendar quarter of 2002 in order to identify a permanent operator for the public parking facilities.

During the FY 1998-FY 2001 period, net public parking revenues increased at an average annual rate of 11.4%. However, net public parking revenues suffered a significant decline during FY 2002 of 33% or $4.4 million. This decline was primarily due to the reduction in O&D enplanements of 17% during FY 2002, which was precipitated by the September 11, 2001 Events, and increased restrictions placed on Airport visitors' (meeters and greeters) access to the airport facilities.

Net public parking revenues are projected to increase from an estimated $8.9 million in FY 2003 to $15.9 million in FY 2008. The increased forecast is based on; anticipated increase in O&D passengers, a long-term parking rate increase effective August 2002, anticipated short-term and long-term rate increases in FY 2005 and the completion of the Cypress long-term facility scheduled for July 2003. The Cypress facility is expected to increase long-term parking revenues due to the parking lot's interstate access and proximity to the Airport.

c) *Car Rentals.* Seven car rental companies operate at the Airport. They are: Avis, Budget, Hertz, Missouri Rental and Leasing (d/b/a Dollar-Rent-A-Car), CI Rental (d/b/a Thrifty Car Rental), Enterprise, and a joint operation by Alamo-Rent-A-Car and National Car Rental under an Airport agreement with National Car Rental. The dual operation of National and Alamo under a single agreement occurred in 2002 as part of the restructuring of both companies and their parent corporation, ANC Rental Corporation, as a result of their filing Chapter 11 bankruptcy proceedings in November 2001. In addition, during August 2002, Cendant Corporation, owner of Avis Group Holdings, agreed to purchase most of Budget Group Incorporated, which owns Budget Rent a Car Corporation that sought Chapter 11 bankruptcy protection during July 2002. The companies manage their operations at off-airport facilities and pick up and drop off their customers at designated areas at the terminal. The car rental revenues are based on 10% of the car rental companies' gross revenues or their annual MAGs, whichever is greater. During the FY 1998–FY 2001 period, rental car revenues increased at an average annual rate of 7.3%. However, car rental revenues declined approximately 9% during FY 2002, primarily as a result of reduced demand resulting from lower O&D enplanements. Car Rental revenues are forecast to increase from $8.9 million in FY 2003 to $11.2 million in FY 2008, which is supported by an anticipated increase in O&D passenger enplanements and an inflation factor.

d) *Space Rentals.* Space rentals are generated from Airport Terminal Services (which provide ground handling and terminal services in the East Terminal and the International Area) and certain other nonairline tenants of terminal space.

e) *In-Flight Catering.* Gateway provides in-flight catering services to airlines at the Airport from two flight kitchens—one situated on airport and the other off airport-and pays the City 5% of its gross revenues. In-flight catering revenues are forecast to increase with passenger enplanements and inflation.

f) *Other Concession Revenues.* Other Concession Revenues include utility reimbursements, and other miscellaneous concession revenues.

3. Other Revenues

Other Revenues include nonsignatory airline fees, cargo area rentals and fees, tenant improvement surcharges, charges for the use of the employee parking lot, gain (losses) on the sale of investments, and other miscellaneous revenues. During the FY 1998-FY 2001 period, other revenues increased at an average annual rate of 6.0%. FY 2002 revenues increased 34.1% primarily due to a recognition of $3 million for land rental fee from Boeing. Boeing prepaid its lease payments during FY 2002 for approximately two and one-half years for a total of $15 million. Other Revenues are comprised of:

a) *Nonsignatory Airline Revenues.* Nonsignatory airline revenues consist of landing fees and terminal rents. Landing fee rates for nonsignatory airlines are set at 125% of the signatory rate; however, no premium is charged for terminal space. Nonsignatory landing fees, which account for the majority of the revenues in this category, resulted in an average annual increase of 16.6% during FY 1998 through 2001. This category declined during FY 2002 by 8.0% due to the September 11, 2001 Events. Non-signatory airline landing fees are projected to increase from an estimated $4.0 million in FY 2003 to $6.7 million by FY 2008 as a result of forecast increases in Signatory Airline landing fee rates and in non-signatory air traffic.

b) *Cargo.* Cargo revenues include ground rent, building rent, and tenant improvement charges. Cargo revenues are estimated to be $2.0 million in FY 2003 and are projected to increase to $2.4 million in FY 2008 based on provisions contained in the existing agreements.

c) *Hangar and Other Building Area.* Hangar and Other Building Area revenues include building and ground rent for various support facilities. These revenues are forecast to increase based on the rate adjustment provisions of existing agreements and the revenue recognition of pre-paid lease payments totaling $15 million from MDC (Boeing). FY 2002 recognized $3 million in revenues with the remaining $12 million to be recognized evenly over FYs 2003 and 2004.

d) *Tenant Improvement Surcharge.* The Tenant Improvement Surcharge is paid by TWA for space occupied on Concourse D. Beginning in FY 1999, an adjustment was made for interest savings associated with a previous bond refinancing. The revised Tenant Improvement Surcharge is $0.3 million, which is expected to remain constant through FY 2005.

e) *Employee Lot.* Employee parking lot revenues are estimated to be $1.5 million in FY 2003. By FY 2008, Employee Lot revenues are projected to increase to $1.7 million as a result, in part, of the additional capacity being provided by the new Springdale Parking Facility that opened March 2002.

f) *Other Miscellaneous Revenues.* Other miscellaneous revenues include U.S. government rental revenues, American ramp charges (associated with their hangar), air cargo services, rent from other tenants in the Airfield and Terminal Area, utility reimbursements, rental revenues from inside advertising billboards and other miscellaneous revenues. In FY 2003, the other miscellaneous revenues are estimated to be $6.4 million. Other miscellaneous revenues are forecast to decrease to $5.3 million by FY 2008, largely due to the anticipated loss of the current MAG for the advertising billboards that expires in FY 2005.

4. TWA Asset Use Charge

As discussed earlier, TWA paid the City asset use charges for the use of certain assets, which the City purchased from TWA in 1993. Under the terms of an agreement between TWA and the Airport, the asset use charges are calculated to recover the City's investment plus interest costs through the remaining term of the Airport Use Agreement. The asset use charges are fixed at $7.8 million a year. This charge has become the obligation of AMR Sub resulting from the sale by TWA to AMR Sub on April 9, 2001, and the assumption of, and assignment to AMR Sub of all of TWA's agreements with the City. Additionally, any other airline that uses these AMR Sub assets would be subject to the asset charge.

5. Interest Income

Interest income on all funds and accounts other than the Construction Fund (bond proceeds) and the PFC Fund are classified as Revenues under the Indenture. Interest income is estimated to be $9.1 million for FY 2003 and is expected to decline slightly by FY 2008 to $7.8 million due to the change in investment balances on hand at the end of the forecast period. Interest income forecast is based on projected balances in each fund and account assuming average annual interest yields of 5.5% on Debt Service Reserve Funds and 3.0% for all other funds and accounts.

C. OPERATION AND MAINTENANCE EXPENSES

Table V-5 summarizes historical Operation and Maintenance (O&M) Expenses for the FY 1998-FY 2002 period by major object category. These categories include: personal services, which are comprised of salaries, fringe benefits and overtime; materials and equipment; and contractual services, including miscellaneous expenses. During the past five years, O&M Expenses increased at an average annual growth rate of 6.7%. FY 2002 included some preliminary incremental security operating expenses that were a result of the September 11, 2001 Events. In the aftermath of the September 11, 2001 Events, there is considerable uncertainty as to the scope and cost of additional security measures that may be required at the nation's airports—both in terms of security-related operating costs and new capital equipment and related terminal capital costs. As discussed in Section V, the City has included in the FY 2003 operating budget certain additional operation and maintenance expenses related to increased security measures that it has implemented to date. The new Transportation Security Administration (TSA) under federal

TABLE V-5
SUMMARY OF HISTORICAL OPERATION AND MAINTENANCE EXPENSES
BASE CASE
Lambert-St. Louis International Airport
For Fiscal Years Ending June 30
(in thousands)

	Avg. Annual Growth Rate		Historical (1)				
	FY '98-'01	FY '98-'02	1998	1999	2000	2001	2002
Personal Services							
Salaries & Wages	6.6%	8.8%	$23,528	$26,638	$27,299	$28,509	$32,934
Fringe Benefits	-9.7%	8.6%	3,073	2,249	2,237	2,261	4,282
Overtime - Regular Employees	12.0%	17.1%	948	1,222	1,116	1,334	1,785
	5.2%	9.1%	$27,549	$30,110	$30,653	$32,104	$39,001
Supplies, Materials & Equipment							
Deicing & Misc. Supplies	17.2%	0.6%	$1,224	$1,403	$963	$1,972	$1,254
Other	11.0%	9.7%	2,469	2,581	2,698	3,377	3,578
	13.1%	6.9%	$3,693	$3,984	$3,661	$5,349	$4,832
Contractual Services							
Utilities	6.6%	3.2%	$5,136	$5,241	$5,475	$6,213	$5,817
Rental Equipment - Snow Removal	20.3%	-11.2%	1,134	2,338	1,058	1,976	705
Rental Equipment - Land Maintenance	17.2%	35.6%	373	340	476	600	1,261
Cleaning Services	12.7%	4.6%	1,641	1,777	2,056	2,346	1,965
Reimbursement for City Services	5.3%	5.8%	1,433	1,386	1,718	1,672	1,795
Shuttle, Misc., Acoustical	-3.2%	-8.2%	2,468	2,213	1,818	2,240	1,751
Legal	-1.1%	-1.6%	751	618	840	728	705
Security Service	6.3%	12.5%	1,211	1,327	1,275	1,454	1,942
Insurance	26.5%	18.5%	519	990	923	1,050	1,023
Other	5.5%	2.3%	6,925	7,412	6,735	8,128	7,591
	6.9%	3.3%	$21,591	$23,642	$22,374	$26,407	$24,554
Total Operation & Maintenance Expenses	6.5%	6.7%	$52,833	$57,736	$56,688	$63,860	$68,387

1. Based on audited financial statements; FY'98 through FY'02

legislation enacted in the fall of 2001 has issued two separate agreements for security related operating expenses totaling $6.2 million. A grant offer totaling $2.7 million was awarded March 2002, to reimburse the Airport for eligible expenses incurred during the period October 2001 through September 2002. In addition, the TSA entered into a Memorandum of Agreement (MOA) with the Airport to provide funding to reimburse the City up to $3.5 million of eligible law enforcement expenses incurred during the period May 2002 through November 2003. Airport management believes that all eligible expenses submitted under the MOA will be reimbursed. To date the TSA has reimbursed the Airport for a portion of the costs incurred in FY 2002 ($1.1 million). As of the date of this report, Congress has not indicated its intent regarding grant funds for future security related operating costs, other then that which was discussed above, therefore, the financial forecast presented in this section does not anticipate any additional reimbursement for security related costs after FY 2004.

Personal services expenses represent wages, salaries, and fringe benefits paid to individuals employed by the Airport to maintain and operate the terminal, airfield, roadways and other facilities at the Airport. The average annual growth rate between FY 1998 – 2001 was 5.2%, however, there was a significant increase during FY 2002 primarily due to police overtime and one-time bonuses associated with the increased security requirement following the September 11, 2001 Events.

Supplies, materials and equipment expenses consist of de-icing fluids, office supplies, laundry and cleaning materials, gasoline, tools and other miscellaneous supplies. The average annual increase for this category during FY 1998-FY 2002 was 6.9%. Expenses for de-icing and miscellaneous supplies, a large component of this category, tend to fluctuate with the severity of winter weather conditions. Due to the unusually mild winter in 2002, this resulted in FY 2002 being approximately 9% lower than FY 2001.

Contractual services expenses represent the cost of services provided to the Airport by vendors, independent contractors, consultants, and the City. The primary services include utilities, rental and lease of equipment (primarily snow removal equipment), cleaning services, reimbursement for City-provided services, repair and maintenance of equipment (such as elevators and escalators, communications equipment, etc.) and other miscellaneous services. The average annual growth rate for this category during the period FY 1998–2002 was 3.3%. The growth rate was lower due to less in this category during FY 2002, which resulted from a reduced requirement for snow removal services due to the mild winter season and a decrease in City Services due to completion of one time services (accounting reporting conversion) completed in FY 2001. Components that increased in this category were, Land Maintenance $0.9 million, Security Service $0.6 million and Other Contractual Services $0.7 million. These increases were due to timing of land maintenance expenses, and incremental security costs associated with the September 11, 2001 Events.

Table V-6 presents the O&M Expenses forecast for the period FY 2003-FY 2008. As shown in the table, O&M Expenses are forecast to increase from an estimated $71.6 million in FY 2003 to

Table V-6
FORECASTED OPERATION AND MAINTENANCE EXPENSES
BASE CASE
Lambert-St. Louis International Airport
For Fiscal Years Ending June 30
(in thousands)

	Avg. Annual Growth Rate		Forecast					
	FY '98-'02	FY '02-'08	2003	2004	2005	2006	2007	2008
Personal Services								
Salaries & Wages	8.8%	3.6%	$29,210	$31,433	$33,318	$35,526	$39,542	$40,729
Fringe Benefits	8.6%	11.3%	6,054	6,470	6,664	7,102	7,897	8,133
Overtime - Regular Employees	17.1%	-0.9%	1,313	1,352	1,393	1,486	1,637	1,686
	9.1%	4.4%	$36,577	$39,255	$41,375	$44,114	$49,076	$50,548
Supplies, Materials & Equipment								
Deicing & Misc. Supplies	0.6%	7.6%	$1,295	$1,334	$1,374	$1,511	$1,889	$1,946
Other	9.7%	7.5%	3,924	4,093	4,266	4,643	5,316	5,527
	6.9%	7.5%	$5,219	$5,426	$5,640	$6,154	$7,205	$7,472
Contractual Services								
Utilities	3.2%	5.8%	$6,194	$6,380	$6,571	$7,096	$7,928	$8,166
Rental & Lease of Equipment - Snow Removal	-11.2%	21.1%	1,916	1,974	2,033	2,094	2,157	2,221
Rental & Lease of Equipment - Lawn Service	35.6%	-5.6%	770	793	816	841	866	892
Cleaning Services	4.6%	7.4%	2,596	2,674	2,754	2,837	2,922	3,010
Reimbursement for City Services	5.8%	-1.4%	1,425	1,468	1,512	1,557	1,604	1,652
Shuttle, Misc., Acoustical	-8.2%	7.6%	2,342	2,412	2,484	2,559	2,636	2,715
Legal	-1.6%	7.9%	960	989	1,019	1,049	1,081	1,113
Security Service	12.5%	15.1%	1,751	2,458	3,474	3,821	4,395	4,526
Insurance	18.5%	11.6%	1,705	1,756	1,808	1,863	1,919	1,976
Other	2.3%	8.7%	10,157	11,474	10,879	11,383	12,134	12,501
	3.3%	7.9%	$29,816	$32,377	$33,351	$35,100	$37,640	$38,772
Total Operation & Maintenance Expenses (1)	6.7%	6.0%	$71,612	$77,058	$80,366	$85,369	$93,921	$96,793

(1) Excludes 5% gross receipts tax, which is not included in the calculation of Net Revenues

$96.8 million by FY 2008, which represents an average annual growth of 6.0%. The forecast is based on the approved FY 2003 operating budget for the Airport, historical trends in O&M expense growth, allowances for future inflation (assumed at 3% per year), increased security requirements and higher runway costs following the opening of the new runway during FY 2006. This information is compiled based on judgments from Airport management and industry trends. Other key assumptions are: 1) employee headcount will remain stable at the FY 2003 level, except for the increase associated with the new runway, 2) $2.2 million TSA grant reimbursement for security police officers expenses incurred during FY 2003 and $0.9 million for security police officers expenses incurred through November 2003 in FY 2004, and 3) no additional security requirements were anticipated over the FY 2003 security level.

The current forecast is based on security initiatives established during FY 2002. However, due to the on-going evaluations concerning security needs, especially involving the evaluation of capital infrastructure improvements, additional operating security requirements could be initiated by the TSA. Airport Management anticipates that any additional personnel requirement associated with these improvements will be the responsibility of the TSA and not an operating expense of the Airport.

A special task force was formed during late FY 2002 and they are currently determining the full scope of the Airport's capital security requirements, the result of which may not be fully incorporated in this forecast.

D. APPLICATION OF REVENUES

Table V-7 shows the Application of Revenues forecast to funds and accounts under provisions of the Indenture for the six-year forecast period, FY 2003–FY 2008.

Revenues consist of GARB Revenues and Pledged PFC Revenues deposited in the Revenue Fund as presented earlier in **Table V-3**. Pursuant to the Indenture, Pledged PFC Revenues equal 125% of the anticipated annual debt service on the portion of the 2001A ADP Bond proceeds used to finance PFC-Eligible Projects.

As indicated in the Indenture, Revenues will first be applied to pay Operation and Maintenance Expenses and then to pay Debt Service on GARBs. Remaining Revenues will then be applied to restore any deficiencies in the Debt Service Reserve Account in the Bond Fund and in the Renewal and Replacement Fund, and then to the payment to the City required under Section 5.04(B) (the 5% "gross receipts tax"). All remaining Revenues are then deposited in the ADF.

As of June 30, 2002, the unappropriated balance in the Airport ADF was approximately $54 million. This balance, coupled with the forecast transfers of Revenues into the ADF indicated in **Table V-7**, should provide adequate resources to meet various obligations of the Airport, such as equipment replacement, major maintenance and small capital projects, during the forecast period.

Table V-7
FORECASTED DEPOSITS TO THE AIRPORT DEVELOPMENT FUND
BASE CASE
Lambert St. Louis International Airport
For Fiscal years Ending June 30
(in thousands)

	Forecast					
	2003	**2004**	**2005**	**2006**	**2007**	**2008**
Revenues						
GARB Revenues						
Airline revenues	$66,781	$72,611	$75,122	$84,182	$110,406	$111,849
Nonairline revenues	62,284	66,556	64,935	62,837	62,584	64,407
Interest income	8,532	8,326	9,127	7,895	7,557	7,419
Pledged PFC Revenues						
Passenger facility charges (a)	18,766	18,766	18,766	18,766	26,004	26,007
	$156,363	$166,259	$167,950	$173,681	$206,551	$209,681
Application of Revenues						
Operating and Maintenance Expenses	$71,612	$77,058	$80,366	$85,369	$93,921	$96,793
Debt Service Account (Annual Debt Service) (b)						
Outstanding Bonds	$57,532	$62,188	$42,843	$44,502	$55,029	$55,304
General Purpose Airport Revenue Future Bonds for the ADP						
Series 2003 Refunding	$0	$0	$0	$3,840	$5,625	$5,627
General Airport Revenue Future Bonds for the CIP						
Series 2002 CIP Bonds	0	584	2,165	6,896	6,896	6,901
Series 2002 Refunding (1992)	5,395	1,382	1,383	1,379	1,382	1,384
Series 2004 CIP Bonds	0	0	0	0	6,743	6,743
	$62,927	$64,154	$46,391	$56,616	$75,676	$75,960
PFC Debt Service Coverage (c)	3,753	3,753	3,753	3,753	5,201	5,201
Payment to City (5% of Revenues) (d)	5,187	5,343	5,503	5,668	5,838	6,013
Subtotal	$143,479	$150,308	$136,014	$151,407	$180,636	$183,967
Net deposit to Development Fund	$12,884	$15,951	$31,936	$22,274	$25,915	$25,714

a. Under the Eighth Supplemental Indenture, the City will pledge certain PFC revenues as Revenues sufficient to provide 125% of debt service on a portion of 2000A Bonds.
b. Table II-3.
c. This represents the coverage amount that will be transferred to the PFC account.
d. The 5% gross receipts tax payment to the city is limited to the FY 1995 Baseline amount of $4.3 million adjusted annually for the change in the CPI index

E. SENSITIVITY ANALYSIS

Following the September 11, 2001 Events the airline industry experienced one of its most significant declines in recent history. As a result, a Sensitivity Analysis was prepared to show the effects of a permanent shift in air traffic demand (Base Case) versus two alternative sensitivities based on the assumptions that; (1) the negative impact of the September 11, 2001 Events would be transitory (Sensitivity-High), and (2) American would initiate an additional 20% in service cuts effective January 2003 (Sensitivity-Low). Each scenario is discussed further below and the financial results summarized in Tables and 8 and 9:

Base Case:

The Base Case assumes that the negative impact of the September 11, 2001 Events would result in a permanent downward shift in air travel demand. The future growth during the forecast period is based on the future expansion of the economy. The rationale for this scenario is that the September 11, 2001 Events permanently added to the time, cost and inconvenience of air travel, in the form of tighter airport and airline security.

Sensitivity-High:

In contrast, this alternative assumes that the negative demand impact, following the September 11, 2001 Events is transitory. Thus demand would recover at a greater rate during the period FY 2003 through FY 2007, and return to moderate growth levels during FY 2008 and grow with the expansion of the economy.

Sensitivity-Low:

This scenario assumes American would initiate additional cuts in air service at the Airport by 20% effective January 1, 2003. These cuts would be in addition to the post September 11 service reductions included in the Base Case.

F. DEBT SERVICE COVERAGE/ADDITIONAL BONDS TEST

Table V-8 shows the results of using the Base Case forecast on Net Revenues and the calculation of debt service coverage for the forecast period, FY 2003-FY 2008. Debt service coverage is projected to increase significantly in FY 2005 and FY 2006 as certain outstanding bonds are retired. In comparison, **Tables V-8a and V-8b** show the results of using the two alternative sensitivities on Net Revenues and the calculation of debt service coverage for the same forecast period.

The test period for the Additional Bonds Test is the three-year period immediately following completion of the last project. The City currently anticipates the completion of the FY 2003–FY

Table V-8
CALCULATION OF ANNUAL DEBT SERVICE COVERAGE
BASE CASE
Lambert St. Louis International Airport
For Fiscal years Ending June 30
(in thousands)

	Forecast					
	2003	**2004**	**2005**	**2006**	**2007**	**2008**
ANNUAL DEBT SERVICE COVERAGE						
Total Revenues (a)	$156,363	$166,259	$167,950	$173,681	$206,551	$209,681
less: Operation and Maintenance Expenses (b)	71,612	77,058	80,366	85,369	93,921	96,793
Net Revenues	$84,751	$89,201	$87,584	$88,312	$112,629	$112,888
Debt Service (c)	62,927	64,154	46,391	56,616	75,676	75,960
Debt service coverage ratio	**1.35**	**1.39**	**1.89**	**1.56**	**1.49**	**1.49**
ADDITIONAL BONDS TEST						
Forecast debt service coverage				**1.56**	**1.49**	**1.49**
Required debt service coverage				**1.25**	**1.25**	**1.25**
				Forecast debt service coverage exceeds the 1.25 times requirement in each Fiscal Year.		

a. Table V-3
b. Table V-6
c. Table II-3

Table V-8a
CALCULATION OF ANNUAL DEBT SERVICE COVERAGE
SENSITIVITY HIGH
Lambert St. Louis International Airport
For Fiscal years Ending June 30
(in thousands)

	Forecast					
	2003	**2004**	**2005**	**2006**	**2007**	**2008**
ANNUAL DEBT SERVICE COVERAGE						
Total Revenues	$156,363	$167,340	$172,108	$181,086	$215,943	$219,661
less: Operation and Maintenance Expenses	71,612	77,058	80,366	85,369	93,921	96,793
Net Revenues	$84,751	$90,281	$91,742	$95,716	$122,022	$122,868
Debt Service	62,927	64,154	46,391	56,616	75,676	75,960
Debt service coverage ratio	**1.35**	**1.41**	**1.98**	**1.69**	**1.61**	**1.62**
ADDITIONAL BONDS TEST						
Forecast debt service coverage				**1.69**	**1.61**	**1.62**
Required debt service coverage				**1.25**	**1.25**	**1.25**
				Forecast debt service coverage exceeds the 1.25 times requirement in each Fiscal Year.		

Table V-8b
CALCULATION OF ANNUAL DEBT SERVICE COVERAGE
SENSITIVITY LOW
Lambert St. Louis International Airport
For Fiscal years Ending June 30
(in thousands)

	Forecast					
	2003	2004	2005	2006	2007	2008
ANNUAL DEBT SERVICE COVERAGE						
Total Revenues	$154,414	$161,545	$162,568	$168,033	$200,629	$203,387
less: Operation and Maintenance Expenses	71,612	77,058	80,366	85,369	93,921	96,793
Net Revenues	$82,803	$84,486	$82,202	$82,664	$106,708	$106,594
Debt Service	62,927	64,154	46,391	56,616	75,676	75,960
Debt service coverage ratio	**1.32**	**1.32**	**1.77**	**1.46**	**1.41**	**1.40**
ADDITIONAL BONDS TEST						
Forecast debt service coverage				**1.46**	**1.41**	**1.40**
Required debt service coverage				**1.25**	**1.25**	**1.25**
				Forecast debt service coverage exceeds the 1.25 times requirement in each Fiscal Year.		

2004 projects by the end of FY 2005. As indicated in **Table V-8**, given the assumptions set forth in this Report, Net Revenues are forecast to exceed 1.25 times Aggregate Adjusted Debt Service in the first three Airport Fiscal Years following the estimated date of completion resulting in a debt coverage range between 1.56 and 1.49, thereby satisfying the Additional Bonds Test period. In comparison, **Tables V-8a** and **V-8b** also show that under the each alternative sensitivity Net Revenues are forecast to exceed 1.25 Aggregate Adjusted Debt Service. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unexpected events and circumstances may occur. Therefore, the actual results achieved will likely vary from the forecasts, and the variations could be material.

Table V-9 provides a comparison of the findings of the Base Case versus the two alternative sensitivities for the Additional Bonds Test period and a comparison of the key airline statistics of cost per enplaned passenger and signatory landing fee for the period FY 2006 through FY 2008.

Table V-9
SENSITIVITY ANALYSIS - SUMMARY TABLE
Lambert St. Louis International Airport
For Fiscal years Ending June 30
(in thousands)

	2006			2007			2008		
	Base Case	Sensitivity High	Sensitivity Low	Base Case	Sensitivity High	Sensitivity Low	Base Case	Sensitivity High	Sensitivity Low
Airline Revenues	$84,182	$84,487	$83,788	$110,406	$110,922	$109,840	$111,849	$112,363	$111,282
Enplaned Passengers	13,204	15,278	11,437	13,470	15,985	11,693	13,740	16,307	11,927
Airline Cost per Passenger	$6.38	$5.53	$7.33	$8.20	$6.94	$9.39	$8.14	$6.89	$9.33
Signatory Landing Fee Rate	$2.44	$2.12	$2.79	$3.55	$3.01	$4.06	$3.53	$3.00	$4.04
Net Revenues	$88,312	$95,716	$82,664	$112,629	$122,022	$106,708	$112,888	$122,868	$106,594
Debt Service	56,616	56,616	56,616	75,676	75,676	75,676	75,960	75,960	75,960
Debt Service Coverage	1.56	1.69	1.46	1.49	1.61	1.41	1.49	1.62	1.40

APPENDIX D

AUDITED FINANCIAL STATEMENTS OF THE AIRPORT

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KPMG

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)

Basic Financial Statements and Supplementary Information

June 30, 2002 and 2001

(With Independent Auditors' Report Thereon)

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)

Basic Financial Statements and Supplementary Information

June 30, 2002 and 2001

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KPMG

10 South Broadway
Suite 900
St Louis, MO 63102-1761

Independent Auditors' Report

Honorable Mayor and Members of
the Board of Aldermen of the
City of St. Louis, Missouri

We have audited the accompanying basic financial statements of Lambert – St. Louis International Airport, an enterprise fund of the City of St. Louis, Missouri as of and for the years ended June 30, 2002 and 2001, as listed in the table of contents. These financial statements are the responsibility of the City of St. Louis, Missouri's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the financial position and the changes in financial position and cash flows of Lambert – St. Louis International Airport, an enterprise fund of the City of St. Louis, Missouri, and do not purport to, and do not, present fairly the financial position of the City of St. Louis, Missouri as of June 30, 2002 and 2001, and changes in its financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lambert – St. Louis International Airport, an enterprise fund of the City of St. Louis, Missouri, as of June 30, 2002 and 2001, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

During 2002, as discussed in note 1(o) to the financial statements, Lambert – St. Louis International Airport adopted the following Statements of the Governmental Accounting Standards Board: Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures.*

The management's discussion and analysis on pages 2 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

August 16, 2002

KPMG LLP

KPMG LLP KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.

Lambert-St. Louis International Airport
Management's Discussion and Analysis

The following discussion and analysis of the activity and financial performance of Lambert-St. Louis International Airport (the Airport) has been prepared by Airport management to provide the reader with an introduction and overview to the basic financial statements of the Airport for the fiscal year ended June 30, 2002. Following this discussion and analysis are the basic financial statements of the Airport together with the notes thereto which are essential to a full understanding of the data contained within the basic financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

SUMMARY OF AIRPORT ACTIVITY

Activity at the Airport decreased in every major area during fiscal year 2002 as follows:

	2002	2001	Change
Enplaned passengers	12,637,241	14,983,548	(15.7%)
Aircraft landings and takeoffs	304,911	322,943	(5.6%)
Landed weight (in thousands of pounds)	22,153,317	23,709,623	(6.6%)
Mail and cargo (in tons)	132,452	142,248	(6.9%)

This decrease took place in a year where airlines and traveling public encountered one of the most challenging operating environments the aviation industry ever faced, due to the unprecedented terrorist attacks of September 11, 2001. Following the attacks, all United States commercial flight operations were suspended for approximately three days. However, the Airport continued to incur nearly all of its normal operating expenses while experiencing major loss of landing fees, parking and concession revenues. The Airport experienced the loss of approximately 3,000 fights before flight operations resumed on September 14th. The effects of the terrorist attacks continued to be felt throughout calendar years 2001 and 2002.

Once the airlines resumed operations, enplanements were severely impacted. Compared to fiscal year 2001, enplanements were down 44.3% in September 2001, 28.6% in October 2001, 22.5% in November 2001 and 32.7% in December 2001. Additionally, decreases in landed weights were experienced as follows: 17.3% in September 2001, 6.8% in October 2001, 8.2% in November 2001 and .4% in December 2001. As a result, aviation revenues, which represent landing fees levied based upon landed weight, were affected.

FINANCIAL HIGHLIGHTS

The following represents the significant financial activity at the Airport in fiscal years 2002 and 2001, and the reasons for any fluctuations between the two years:

- Operating revenues decreased 1.0% from $120.4 million in fiscal year 2001 to $119.3 million in fiscal year 2002, due to the effects of the September 11, 2001 terrorist attacks discussed previously.

- Operating expenses increased 6.8% from $98.2 million in fiscal year 2001 to $104.9 million in fiscal year 2002 as a result of the hiring of additional public safety personnel and the increase in insurance premiums following September 11th.

- As a result of the preceding items, income from operations decreased from $22.2 million in fiscal year 2001 to $14.4 million in fiscal year 2002, a decrease of $7.8 million or 35.1%.

- Nonoperating revenue (net of nonoperating expenses) decreased from $39.8 million in fiscal year 2001 to $27.0 million in fiscal year 2002, due primarily to interest expense increasing from $32.5 million in fiscal year 2001 to $45.0 million in fiscal year 2002. Interest expense increased as a full year of interest was incurred on the Airport's Series 2000 and Series 2001A revenue bonds in fiscal year 2002, whereas only a partial year of interest was incurred on these series in fiscal year 2001. Collections of passenger facility charges also declined from $44.5 million in fiscal year 2001 to $40.8 million in fiscal year 2002, due to decreased passenger traffic in the wake of the September 11th attacks.

- Capital contributions received in the form of grants from federal and state governments increased from $20.6 million in fiscal year 2001 to $37.5 million in fiscal year 2002 as the Airport received increased federal grant funding in support of its W-1W expansion project, which is discussed more thoroughly in Note 15 to the basic financial statements.

- As a result of the preceding items, net assets increased from $800.3 million in fiscal year 2001 to $874.0 million in fiscal year 2002.

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Airport's revenues, expenses, and changes in net assets for the fiscal years ended June 30, 2002 and 2001 are summarized as follows (dollars in thousands):

		2002	2001	$ Change	% Change
Operating revenue	$	119,289	120,403	(1,114)	(0.9%)
Operating expenses		104,858	98,213	6,645	6.8%
Operating income		14,431	22,190	(7,759)	(35.0%)
Nonoperating revenue, net		26,959	39,766	(12,807)	(32.2%)
Income before capital contributions and transfers		41,390	61,956	(20,566)	(33.2%)
Capital contributions		37,510	20,554	16,956	82.5%
Transfers out		(5,152)	(4,143)	1,009	24.4%
Increase in net assets	$	73,748	78,367	(4,619)	(5.9%)
Net assets, end of year	$	874,003	800,255	73,748	9.2%

FINANCIAL POSITION SUMMARY

Net assets may serve over time as a useful indicator of the Airport's financial position. The Airport's assets exceeded liabilities by $874.0 million at June 30, 2002, a $73.8 million increase from June 30, 2001.

A condensed summary of the Airport's net assets at June 30 is shown below:

	2002	2001	$ Change	% Change
Assets:				
Current and other assets	$ 758,631	895,386	(136,755)	(15.3%)
Capital assets	1,071,958	871,200	200,758	23.0%
Total assets	1,830,589	1,766,586	64,003	3.6%
Liabilities:				
Long-term debt outstanding	899,071	926,001	(26,930)	(2.9%)
Other liabilities	57,515	40,330	17,185	42.6%
Total liabilities	956,586	966,331	(9,745)	(1.0%)
Net assets:				
Invested in capital assets, net of debt	691,736	466,407	225,329	48.3%
Restricted	146,778	249,001	(102,223)	(41.1%)
Unrestricted	35,489	84,847	(49,358)	(58.2%)
Total net assets	$ 874,003	800,255	73,748	9.2%

A portion of the Airport's net assets (79.1% at June 30, 2002) represents its investment in capital assets (e.g., land, buildings, roads, runways, and equipment), less the related indebtedness outstanding used to acquire those capital assets. The Airport uses these capital assets to provide services to its passengers and visitors to the Airport; consequently, these assets are not available for future spending. Although the Airport's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

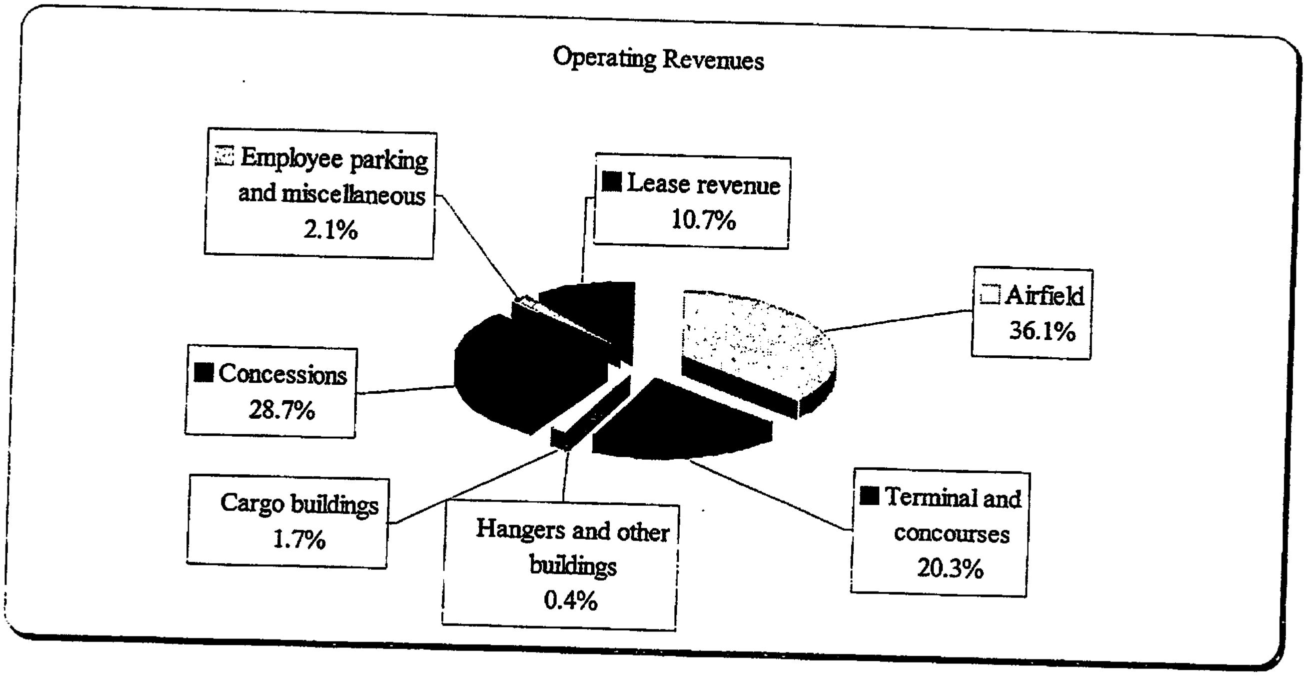
An additional portion of the Airport's net assets (16.8% at June 30, 2002) represents net assets that are subject to external restrictions on how they can be used. These assets are restricted for debt service, capital projects, or expenditure subject to the restrictions of the Passenger Facility Charge program.

The remaining portion of the Airport's net assets (4.1% at June 30, 2002) represents its unrestricted investments, less any outstanding indebtedness, which may be used to meet any of the Airport's ongoing obligations.

(Continued)

REVENUES

The following chart shows the major sources of operating revenues, and their percentage share of total operating revenues, for the year ended June 30, 2002:



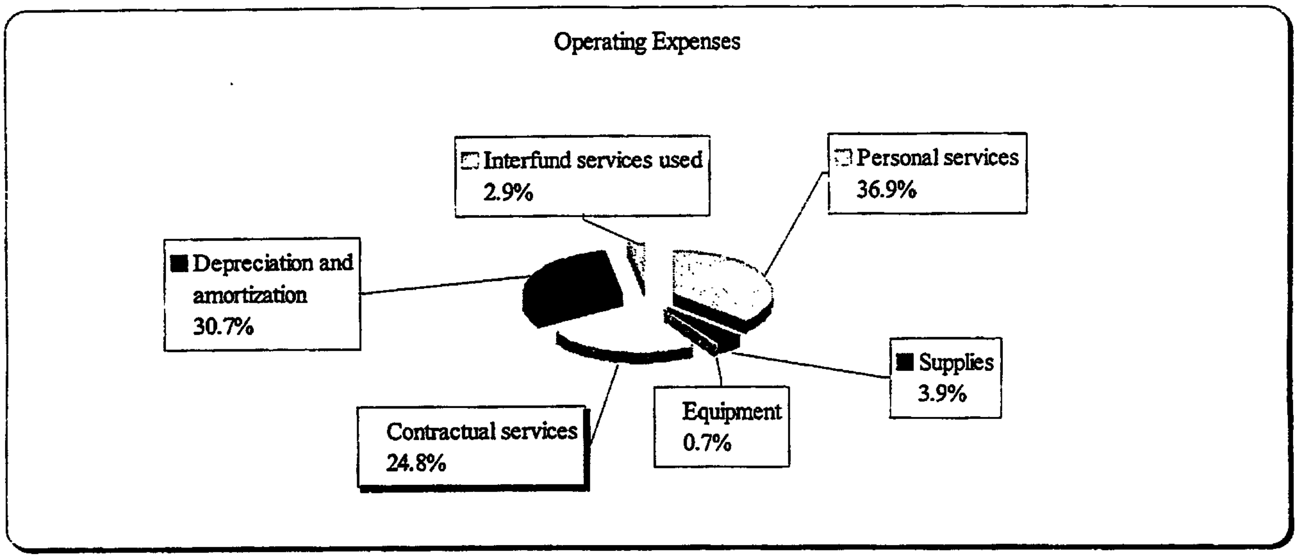
The following table summarizes all Airport revenues, and their percentage share of total Airport revenue, for the year ended June 30, 2002.

	2002	% of total	$ Change from 2001	% Change from 2001
Operating revenues:				
Aviation revenue:				
Airfield	$ 43,062	22.4%	(256)	(0.6%)
Terminal and concourses	24,196	12.5%	1,093	4.7%
Hangers and other buildings	465	0.3%	10	2.1%
Cargo buildings	1,975	1.0%	(20)	(1.0%)
Concessions	34,237	17.8%	(5,295)	(13.4%)
Employee parking and miscellaneous	2,554	1.3%	167	7.0%
Lease revenue	12,800	6.6%	3,187	33.2%
Total operating revenue	119,289	61.9%	(1,114)	(0.9%)
Nonoperating revenue:				
Intergovernmental revenue	1,779	0.9%	459	34.8%
Investment revenue	31,047	16.1%	3,165	11.4%
Passenger facility charges	40,750	21.1%	(3,706)	(8.3%)
Total nonoperating revenue	73,576	38.1%	(82)	(0.1%)
Total revenues	$ 192,865	100.0%	(1,196)	(0.6%)

(Continued)

EXPENSES

The following chart shows the major sources of operating expenses, and their percentage share of total operating expenses, for the year ended June 30, 2002:



The following table summarizes all Airport expenses, and their percentage share of total Airport expenses, for the year ended June 30, 2002:

	2002	% of total	$ Change from 2001	% Change from 2001
Operating expenses:				
Personal services	$ 38,363	25.3%	6,574	20.7%
Supplies	4,060	2.7%	(847)	(17.3%)
Equipment	771	0.5%	81	11.9%
Contractual services	26,179	17.3%	1,201	4.8%
Depreciation and amortization	32,380	21.4%	(1,049)	(3.1%)
Interfund services used	3,105	2.0%	685	28.3%
Total operating expenses	104,858	69.2%	6,645	6.7%
Nonoperating expenses:				
Interest expense	44,988	29.7%	12,482	54.0%
Amortization of bond issue costs	1,335	0.9%	214	19.1%
Other, net	294	0.2%	29	10.9%
Total nonoperating expenses	46,617	30.8%	12,725	37.5%
Total expenses	$ 151,475	100.0%	19,370	14.7%

(Continued)

AIRLINE SIGNATORY RATES AND CHARGES

As of June 30, 2002, the Airport was served by nine signatory airlines, six non-signatory carriers and nine cargo carriers. A "signatory" carrier has an individual Airline Use and Lease Agreement with the Airport. These Airline Use and Lease Agreements in part establish how the airlines are assessed annual rates and charges for their use of the Airport. These agreements expire December 31, 2005.

Landing and rental fees are calculated on estimated operating and maintenance expenses and are charged to the airlines based upon landing weights or square footage utilized. The amount charged is adjusted based upon actual expenses and actual landing usage incurred. Non-signatory carriers are assessed 125% of the signatory carrier rates.

FINANCIAL STATEMENTS

The Airport's basic financial statements are prepared on an accrual basis in accordance with the U. S. generally accepted accounting principles promulgated by the Government Accounting Standards Board (GASB). The Airport is structured as a single enterprise fund owned and operated by the City of St. Louis with revenues recognized when earned. Expenses are recognized when incurred. Capital assets are capitalized and (other than land) are depreciated over their useful lives. Amounts are restricted for debt service and, where applicable, for construction activities. Refer to Note 1 of the basic financial statements for a summary of the Airport's significant accounting policies.

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

During fiscal year 2002, the Airport expended $230,000 on capital activities. The major projects were as follows:

Land and easement purchases	$5,300
Land and initial construction costs for W-1W expansion project (discussed in Note 15)	$189,200
Terminal improvements	$1,000
Equipment	$1,000
Construction in progress	$31,900

During 2002, completed projects totaling approximately $11,200 were closed from construction in progress to their respective capital accounts. The major completed projects were:

Equipment construction	$2,200
Terminal and concourse improvements	$1,700
Employee parking lot	$5,200
Runway improvements	$1,900

Capital asset acquisitions and improvements exceeding $10,000 (in dollars) are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including federal grants, State of Missouri grants, passenger facility charges, debt issuances, and Airport operating revenues. At June 30, 2002, the Airport had outstanding commitments amounting to approximately $141,041, resulting primarily from contracts for construction projects. Additional information on the Airport's capital assets and commitments can be found in the notes to the basic financial statements.

PASSENGER FACILITY CHARGES

The Airport initially received approval from the FAA to impose a passenger facility of $3.00 (in dollars) per enplaned passenger beginning December 1, 1992, not to exceed $131,453, principally to finance the Airport Improvement Program. On December 1, 2001, the Airport received approval to increase the passenger facility charge (PFC) $4.50 (in dollars) per enplaned passenger. The current limitation on passenger facility charges to be collected is $1,034,519.

The PFC is withheld by the respective airline for each ticket or transfer in St. Louis and remitted to the Airport one month after collection, less an $.08 (in dollars) per ticket operating fee by the airline. PFC revenue is classified as nonoperating.

LONG-TERM DEBT ADMINISTRATION

At June 30, 2002, the Airport had the following bond series outstanding:

Revenue Refunding and Improvement Bonds, Series 1992, dated November 15, 1992, maturing annually from fiscal year 1996 through 2016 with interest coupons ranging from 4.75% to 6.125%.

- Balance outstanding at June 30, 2002 - $21,260

Revenue Refunding Bonds, Series 1993, dated August 1, 1993, maturing annually from fiscal year 1994 through 2006 with interest coupons ranging from 6.00% to 6.20%.

- Balance outstanding at June 30, 2002 - $47,715

Taxable Revenue Refunding Bonds Series, 1993A, dated December 1, 1993, maturing annually from fiscal year 1994 through 2006 with interest coupons ranging from 3.75% to 6.65%.

- Balance outstanding at June 30, 2002 - $27,865

Revenue Refunding Bonds, Series 1996, dated April 1, 1996, maturing annually from fiscal year 1996 through 2008 with interest coupons ranging from 3.50% to 6.00%.

- Balance outstanding at June 30, 2002 - $22,620

Revenue Bonds, Series 1997, dated August 15, 1997, maturing annually from fiscal year 2001 through 2028 with interest coupons ranging from 4.10% to 6.00%.

- Balance outstanding at June 30, 2002 - $198,605

Revenue Refunding Bonds, Series 1998, dated December 1, 1998, maturing annually from fiscal year 2000 through 2016 with interest coupons ranging from 3.75% to 5.13%.

- Balance outstanding at June 30, 2002 - $68,620

Letter of Intent Double Barrel Revenue Bonds, Series 2000, dated July 15, 2000, maturing annually from fiscal year 2002 through 2009 with interest coupons ranging from 6.00% to 6.25%.

- Balance outstanding at June 30, 2002 - $74,730

Revenue Bonds, Series 2001A, dated May 1, 2001, maturing annually from fiscal year 2007 through 2032 with interest coupons ranging from 4.125% to 5.625% percent.

- Balance outstanding at June 30, 2002 - $435,185

CREDIT RATINGS AND BOND INSURANCE

Following the terrorist attacks on September 11, 2001, each of the rating agencies placed the underlying credit rating of all airports under review. As of June 30, 2002, Moody's has reaffirmed the Airport's underlying ratings as "Baa3" for the Series 2000 Letter of Intent Double Barrel Revenue Bonds and "A3" for all other outstanding series. Fitch Ratings has reaffirmed the Airport's underlying rating as "BAA-" for the Series 2000 Double Barrel Letter of Intent Revenue Bonds and "A-" for all other outstanding series. Standard & Poor's has put the Airport on negative credit watch with ratings of "BAA-" for the Series 2000 Letter of Intent Double Barrel Revenue Bonds and "A-" for all other outstanding series.

Concurrent with the issuance of the Series 2001A Revenue Bonds, MBIA Insurance Corporation issued its Municipal Bond New Issue Policy for the Series 2001A bonds. This policy has been purchased by the Airport to guarantee the payment of principal and interest when due.

REQUESTS FOR INFORMATION

These basic financial statements are designed to provide a general overview of the Airport's finances for all those with an interest. Questions concerning any information provided in this report should be addressed to the Office of the Airport Assistant Director for Finance and Accounting, Lambert-St. Louis International Airport, P. O. Box 10212, St. Louis, Missouri, 63145.

BASIC FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

Liabilities and Net Assets		2002	2001
Current liabilities:			
Payable from unrestricted assets:			
Accounts payable and accrued expenses	$	10,067	7,451
Deferred revenue		7,419	792
Due to the City of St. Louis, Missouri		2,846	2,359
		20,332	10,602
Payable from restricted assets:			
Current maturities of revenue bonds payable		34,415	38,375
Accrued interest payable		24,309	17,802
Contracts and retainage payable		13,079	7,890
		71,803	64,067
Total current liabilities		92,135	74,669
Noncurrent liabilities:			
Revenue bonds payable		854,656	887,626
Other long-term liabilities		9,795	4,036
Total noncurrent liabilities		864,451	891,662
Total liabilities		956,586	966,331
Net assets:			
Invested in capital assets, net of related debt		691,736	466,407
Restricted:			
Bond reserve funds		145,393	128,697
Capital project funds		(112,587)	1,472
Passenger facility charges		113,972	118,832
Unrestricted		35,489	84,847
Total net assets		874,003	800,255
Total liabilities and net assets	$	1,830,589	1,766,586

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Statements of Revenues, Expenses and Changes in Fund Net Assets
Years ended June 30, 2002 and 2001
(Dollars in thousands)

		2002	2001
Operating revenues:			
Aviation revenue:			
Airfield	$	43,062	43,318
Terminal and concourses		24,196	23,103
Hangars and other buildings		465	455
Cargo buildings		1,975	1,995
Concessions		34,237	39,532
Employee parking and miscellaneous		2,554	2,387
Lease revenue		12,800	9,613
Total operating revenue		119,289	120,403
Operating expenses:			
Personal services		38,363	31,789
Supplies		4,060	4,907
Equipment		771	690
Contractual services		26,179	24,978
Depreciation and amortization		32,380	33,429
Interfund services used		3,105	2,420
Total operating expenses		104,858	98,213
Operating income		14,431	22,190
Nonoperating revenues (expenses):			
Intergovernmental revenue		1,779	1,320
Investment revenue		31,047	27,882
Interest expense		(44,988)	(32,506)
Passenger facility charges		40,750	44,456
Amortization of bond issue costs		(1,335)	(1,121)
Other, net		(294)	(265)
Total nonoperating revenue, net		26,959	39,766
Income before capital contributions and transfers		41,390	61,956
Capital contributions		37,510	20,554
Transfers out		(5,152)	(4,143)
Change in net assets		73,748	78,367
Total net assets, beginning of year		800,255	721,888
Total net assets, end of year	$	874,003	800,255

See accompanying notes to basic financial statements.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Statements of Cash Flows
Years ended June 30, 2002 and 2001
(Dollars in thousands)

		2002	2001
Cash flows from operating activities:			
Receipts from customers and users	$	131,475	121,959
Other operating cash receipts		2,554	2,387
Payments to suppliers of goods and services		(32,318)	(32,411)
Payments to employees		(34,770)	(31,471)
Payments for interfund services used		(2,618)	(3,492)
Net cash provided by operating activities		64,323	56,972
Cash flows from noncapital financial activities:			
Cash paid to the City of St. Louis, Missouri for financing of retirement plan		(310)	(311)
Transfers to other funds of the City of St. Louis, Missouri		(5,152)	(4,143)
Net cash used in noncapital financial activities		(5,462)	(4,454)
Cash flows from capital and related financing activities:			
Cash collections from passenger facility charges		40,750	44,456
Receipt of federal financial assistance		37,548	21,920
Acquisition and construction of capital assets		(219,718)	(125,312)
Proceeds from sale of capital assets		16	–
Proceeds from issuance of revenue bonds		–	521,175
Cash paid for bond issuance and underwriting costs		–	(8,857)
Principal paid on revenue bond maturities		(38,375)	(23,615)
Interest paid on revenue bonds		(42,095)	(25,095)
Net cash provided by (used in) capital and related financing activities		(221,874)	404,672
Cash flows from investing activities:			
Purchases of investments		(3,022,571)	(2,443,262)
Proceeds from sales and maturities of investments		3,153,877	2,001,018
Investment income		31,655	23,319
Net cash provided by (used in) investing activities		162,961	(418,925)
Net increase (decrease) in cash and cash equivalents	$	(52)	38,265
Cash and cash equivalents:			
Beginning of year:			
Unrestricted	$	13,950	15,050
Restricted		88,942	49,577
		102,892	64,627
End of year:			
Unrestricted		5,758	13,950
Restricted		97,082	88,942
	$	102,840	102,892
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	14,431	22,190
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization		32,380	33,429
Changes in assets and liabilities:			
Accounts receivable, net		2,577	3,943
Inventories		(47)	(21)
Intangible and other assets, net		(507)	(30)
Accounts payable and accrued expenses		2,616	(819)
Deferred revenue		6,627	–
Due to/from the City of St. Louis, Missouri		487	(1,072)
Other long-term liabilities		5,759	(648)
Total adjustments		49,892	34,782
Net cash provided by operating activities	$	64,323	56,972

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

The Lambert – St. Louis International Airport (Airport) is owned and operated by the City of St. Louis, Missouri (the City). The Airport is an enterprise fund of the City and, therefore, the basic financial statements of the Airport are not intended to present the financial position and changes in financial position of the City as a whole in conformity with accounting principles generally accepted in the United States of America.

(a) Basis of Accounting

Governmental enterprise funds are used to account for operations of governmental entities that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Airport prepares its financial statements in accordance with accounting principles generally accepted in the United States of America for governmental enterprise funds, which are similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

In reporting its financial activity, the Airport applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures.

Revenues from airlines, concessions and parking are reported as operating revenues. Transactions which are capital, financing, or investing related are reported as non-operating revenues. All expenses related to operating the Airport are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

(b) Accounts Receivable

Accounts receivable at June 30, 2002 and 2001 consist of $8,522 and $11,552, respectively, due from air carriers and concessionaires with operations at the Airport, and $592 and $146, respectively, of other receivables. Such amounts are net of allowances for uncollectible accounts of $260 and $267 at June 30, 2002 and 2001.

Accounts receivable from air carriers includes unbilled aviation revenue for the fiscal year amounting to $2,045 and $2,526 at June 30, 2002 and 2001, respectively, determined in accordance with the provisions of long-term use agreements between the Airport and the applicable air carriers (commonly referred to as Signatory Airlines). American Airlines and

(Continued)

its subsidiaries (see Note 8) owed $1,434 and $1,822 of the unbilled aviation receivables at June 30, 2002 and 2001, respectively. Amounts due or payable under the use agreements are settled annually with Signatory Airlines (see Note 7).

As a result of the settlement process, as described in the preceding paragraph, made during fiscal year 2002, for fiscal year 2001, the airlines, at June 30, 2002, owe the Airport $729. These amounts will be paid during July and August 2002 and are included in accounts receivable at June 30, 2002. At June 30, 2001, the Airport owed the airlines $391 as a result of this settlement process.

(c) Inventories

Inventories represent supplies and materials used in support of operations and maintenance of the Airport. Inventory amounts are recorded at cost using a method which approximates the first-in, first-out method.

(d) Passenger Facility Charges (PFCs)

The Airport collects a $4.50 (in dollars) facility charge per enplaned passenger to fund approved FAA projects. Prior to December 2001, the facility charge was $3.00 (in dollars) per enplaned passenger. The PFC is withheld by the respective airlines for each ticket purchased and passenger transfer made in St. Louis and remitted to the Airport one month after the month of receipt, less an $.08 (in dollars) per ticket operating fee retained by the airlines. During 2002, the Airport changed its method of accounting for PFC receivables and deferred revenue. Prior to 2002, the Airport recorded a receivable and deferred revenue for amounts remitted to the Airport in the month following fiscal year end. This change had no effect on net assets. Amounts for 2001 have been reclassified to conform to the 2002 presentation. As information pertaining to PFC activity is not available to the Airport prior to receipt of PFC remittances from the airlines, PFC revenue is recognized as received, and is classified as nonoperating revenue.

(e) Capital Assets

Capital assets are recorded at cost. Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets. Land is recorded at cost which, in addition to the purchase price, includes appraisal and legal fees, demolition and homeowner relocation costs. Net interest costs on funds borrowed to finance the construction of capital assets are capitalized and amortized over the life of the related asset.

(f) *Deferred Bond Issue Costs*

Deferred bond issue costs represents costs related to the issuance of the Airport's outstanding revenue bonds. Such amounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the interest method.

(g) *Intangible and Other Assets*

Intangible and other assets include $10,365 and $13,442 at June 30, 2002 and 2001, respectively, representing a leasehold interest in certain gates operated by AMR Sub as of June 30, 2002 and TWA as of June 30, 2001 (see Note 8b) at the Airport. This asset is being amortized on the straight-line method over twelve years. Intangible and other assets also include easements of $3,029 and $3,124 at June 30, 2002 and 2001, respectively, which are being amortized on the straight-line method over forty years. Intangible and other assets also include $571 at June 30, 2001, representing a net pension asset related to the Airport's participation in the Employee's Retirement System of the City of St. Louis.

(h) *Accounts Payable and Accrued Expenses*

Accounts payable and accrued expenses at June 30, 2002 and 2001 is comprised of $7,341 and $4,892, respectively, of accrued salaries and benefits, $2,578 and $2,387, respectively, due to vendors and contractors, and $148 and $172, respectively, of other accrued expenses.

(i) *Other Long-Term Liabilities*

In June 1995, the Airport entered into a forward purchase agreement with certain financial institutions. Under this agreement, the Airport received a lump-sum interest payment of $7,209 (present value of future interest earnings based on an interest rate of 6.34%) and deposited it into the debt service accounts related to the Airport Revenue Bonds, Series 1987 (Bond Series 1987), Airport Revenue Refunding and Improvement Bonds, Series 1992 (Bond Series 1992), Taxable Airport Revenue Refunding Bonds, Series 1993 (Bond Series 1993), and Taxable Airport Revenue Bonds, Series 1993A (Bond Series 1993A). In exchange, the Airport has contracted to buy qualified eligible securities (as defined in the agreement) from these institutions on the 15th of every month until the bonds mature, are called or are refinanced. The institutions receive the actual interest earned on the Airport securities purchased every month. The difference between the fixed interest rate earned by the Airport and the variable interest rate paid to the institutions is recorded as a net adjustment to interest expense. In April 1996, this agreement was amended to replace the Bond Series 1987 with the Airport Revenue Refunding Bonds, Series 1996 (Bond Series 1996). A $95 termination payment was made in consideration for the amendment.

The Airport's obligation under the forward purchase agreement of $3,183 and $3,533, at June 30, 2002 and 2001, respectively, is recorded in other long-term liabilities.

(j) Leases

Lease revenue during 2002 and 2001 includes $7,829 of income from AMR Sub relating to equipment leases (see Note 8).

In December 2001, the Airport purchased property from a business adjacent to the Airport, and is leasing this property back to the business through June 2004, at which time the Airport will use this property for its expansion project (see Note 15). The business prepaid the entire $15,000 rental payment for the two-and-a-half year lease term in December 2001. At June 30, 2002, $3,000 of this rental payment is reflected in lease revenue, $6,000 is reflected in deferred revenue, and $6,000 is reflected in other long-term liabilities.

(k) Vacation and Sick Leave Benefits

Under the terms of the City's personnel policy, City employees are granted vacation and sick leave. Employees who have an unused sick leave balance may, at retirement, elect to receive payment for one-half of the sick leave balance. As an estimate of the portion of sick leave that will result in termination payments, a liability has been recorded on the accompanying financial statements within accounts payable and accrued expenses representing one-half of the accumulated sick leave balances for those employees who will be eligible to retire within five years.

The vacation liability reflects amounts attributable to employee services already rendered and are cumulative. The liability totaled $3,118 and $2,691 as of June 30, 2002 and 2001, respectively, and is included in accounts payable and accrued expenses.

(l) Capital Contributions

Capital contributions represent government grants and other aid used to fund capital projects. Capital contributions are recognized as revenue when the expenditure is made and amounts become subject to claim for reimbursement. Amounts received from other governments which are not restricted for capital purposes are reflected as nonoperating intergovernmental revenue.

(m) Statements of Cash Flows

For purposes of the statements of cash flows, cash and cash equivalents is defined as all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

(Continued)

(n) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(o) Implementation of New Accounting Pronouncements

The Airport has implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as well as GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. These statements impose new standards of financial reporting which are reflected throughout these financial statements. The Airport also implemented GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, which modifies existing and imposes new note disclosure requirements. The implementation of these pronouncements was applied on a retroactive basis, as of July 1, 2000, and had no effect on beginning of year net assets.

(2) Cash and Investments

Investments are recorded at fair value. Fair value for investments is determined by closing market prices at year-end as reported by the respective investment custodian.

The Airport deposits all cash with the Office of the Treasurer of the City, which maintains all banking relationships for the Airport. Additionally, all investment decisions are made by the City Treasurer and the City's agents.

Certificates of deposit are defined as investments for balance sheet classification and cash flow purposes; for custodial risk disclosure, however, they are described below as cash deposits. In addition, money market mutual funds are classified as cash and cash equivalents on the balance sheet but as investments for custodial risk disclosure.

At June 30, 2002 and 2001, the carrying amount of the Airport cash deposits was $35,841 and $49,433 and the bank balances were $39,981 and $53,027, respectively. The bank balances at June 30, 2002 and 2001 were entirely covered by collateral held in the pledging bank's trust department or agent in the City's name.

State statutes and City investment policies authorize the deposit of funds in financial institutions and trust companies. Investments may be made in obligations of the United States Government or any agency or instrumentality thereof; bonds of the State of Missouri, the City of St. Louis, Missouri, or any city within the state with a population of 400,000 inhabitants or more; or time certificates of

(Continued)

(Dollars in thousands)

deposit; provided, however, that no such investment shall be purchased at a price in excess of par. In addition, the City may enter into repurchase agreements maturing and becoming payable within 90 days secured by United States Treasury obligations or obligations of the United States Government agencies or instrumentalities of any maturity as provided by law. City funds in the form of cash on deposit or time certificates of deposit are required to be insured or collateralized by authorized investments held in the City's name.

The Airport's investments are categorized below to give an indication of the level of custodial risk assumed at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the City's name.

	Carrying value		
	2002	2001	Category
Investments:			
United States Government agency securities	$ 602,411	729,262	3
Money market mutual funds	62,830	53,337	N/A
Commercial paper	15,779	12,432	N/A
	$ 681,020	795,031	

(3) Restricted Assets

Cash and investments, restricted in accordance with City ordinances and bond provisions, are as follows at June 30, 2002 and 2001:

	2002	2001
Airport Bond Fund		
Debt Service Account	$ 81,372	71,354
Debt Service Reserve Account	74,450	70,323
Airport Renewal and Replacement Fund	3,500	3,500
Passenger Facility Charge Fund	47,496	44,893
Airport Development Fund	54,529	46,794
Airport Construction Fund	447,899	591,975
Airport Contingency Fund	1,857	1,675
	$ 711,103	830,514

City ordinances require that revenues derived from the operation of the Airport be deposited into the unrestricted Airport Revenue Fund. From this fund, the following allocations are made (as soon as practicable in each month after the deposit of revenues but no later than five business days before the end of each month) in the following order of priority:

(a) Unrestricted Airport Operation and Maintenance Fund: an amount sufficient to pay the estimated operation and maintenance expenses during the next month.

(b) Airport Bond Fund: for credit to the Debt Service Account if and to the extent required so that the balance in said account shall equal the accrued aggregate debt service on the bonds, to the last day of the then current calendar month. This account shall be used only for payment of bond principal and interest as the same shall become due.

(c) Airport Bond Fund: for credit to the Debt Service Reserve Account: an amount sufficient to maintain a balance in such account equal to the debt service reserve requirement (an amount equal to the greatest amount of principal and interest due in any future fiscal year). This account shall be available for deficiencies in the Debt Service Account on the last business day of any month, and the balance shall be transferred to the Debt Service Account whenever the balance in the Debt Service Account (before the transfer) is not sufficient to fully pay all outstanding bonds.

(d) Airport Renewal and Replacement Fund: an amount equal to $57; provided that no deposit shall be required to be made into said fund whenever and as long as uncommitted monies in said fund are equal to or greater than $3,500 or such larger amount as the City shall determine is necessary for purposes of said fund; and provided further that, if any such monthly allocation to said fund shall be less than the required amounts, the amount of the next succeeding monthly payments shall be increased by the amount of such deficiency. This fund shall be used for paying costs of renewal or replacement of capital items used in connection with the operation of the Airport.

(e) A subaccount in the Airport Revenue Fund: an amount determined from time-to-time by the City, such that if deposits were made in amounts equal to such amount in each succeeding month during each Airport fiscal year, the balance in such subaccount shall equal the amounts payable to the City with respect to such Airport fiscal year for the payment of 5% of gross receipts from operations of the Airport. A maximum of 80% of the monthly transfer to this subaccount may be paid to the City during the Airport's fiscal year. The final installment may only be paid to the City upon delivery of the Airport's audited financial statements to the Airport Bond Fund Trustee.

(f) Airport Contingency Fund: an amount determined at the discretion of Airport management, to be used for the purchase or redemption of any bonds; payments of principal or redemption price of interest on any subordinated debt; improvements, extensions, betterments, renewals, replacements, repairs, maintenance or reconstruction of any properties or facilities of the Airport; or the provision of one or more reserves. These funds can also be used for any other corporate purpose of the Airport, the local airport system or other local facilities which are owned or operated by the City and are directly related to the actual transportation of passengers or property.

(g) The remaining balance in the Revenue Fund shall be deposited into the Airport Development Fund. This fund shall be used for extensions and improvements to the Airport, including equipment acquisition.

City ordinances provide that in the event the sums on deposit in the Airport Bond Fund - Debt Service and Debt Service Reserve Accounts are insufficient to pay accruing interest, maturing principal or both, the balance in the Airport Contingency Fund, Airport Development Fund, and Airport Renewal and Replacement Fund may be drawn upon, to the extent necessary, to provide for the payment of such interest, principal or both. Any sums so withdrawn from these accounts for said purposes shall be restored thereto in the manner provided for in their original establishment. City ordinances also provide that the principal proceeds from the sale of Airport revenue bonds shall be held in the Airport Construction Fund from which they shall be disbursed for the purposes contemplated in these ordinances.

(Continued)

(Dollars in thousands)

(4) Capital Assets

Following is a summary of the changes in capital assets for the year ended June 30, 2002:

	Balances June 30, 2001	Additions	Retire-ments	Transfers	Balances June 30, 2002
Capital assets being depreciated:					
Pavings	$ 271,744	1,116	–	7,365	280,225
Buildings and facilities	358,303	1,047	–	1,708	361,058
Equipment	59,529	1,102	(869)	2,174	61,936
Total capital assets being depreciated	689,576	3,265	(869)	11,247	703,219
Less accumulated depreciation	(379,761)	(29,208)	709	–	(408,260)
	309,815	(25,943)	(160)	11,247	294,959
Capital assets not being depreciated:					
Land	499,012	194,555	–	–	693,567
Construction in progress	62,373	32,306	–	(11,247)	83,432
Total capital assets not being depreciated	561,385	226,861	–	(11,247)	776,999
	$ 871,200	200,918	(160)	–	1,071,958

Following is a summary of the changes in capital assets for the year ended June 30, 2001:

	Balances June 30, 2000	Additions	Retire-ments	Transfers	Balances June 30, 2001
Capital assets being depreciated:					
Pavings	$ 262,083	296	–	9,365	271,744
Buildings and facilities	354,093	113	–	4,097	358,303
Equipment	58,059	2,191	(894)	173	59,529
Total capital assets being depreciated	674,235	2,600	(894)	13,635	689,576
Less accumulated depreciation	(350,469)	(30,186)	894	–	(379,761)
	323,766	(27,586)	–	13,635	309,815
Capital assets not being depreciated:					
Land	390,356	108,656	–	–	499,012
Construction in progress	63,203	12,805	–	(13,635)	62,373
Total capital assets not being depreciated	453,559	121,461	–	–	561,385
	$ 777,325	93,875	–	–	871,200

(Continued)

(Dollars in thousands)

Construction in progress consists of various improvements to the airfield and terminal buildings, as well as property purchased on which the Airport's expansion facilities will be constructed.

The estimated useful lives of capital assets are as follows:

	Years
Pavings	18-25
Buildings and facilities	20-30
Equipment	2-20

(5) Change in Noncurrent Liabilities

Following is a summary of the changes in noncurrent liabilities for the year ended June 30, 2002:

		Revenue bonds payable	Other long-term liabilities
Balances, beginning of year	$	887,626	4,036
Revenue bonds retired		(34,415)	–
Amortization of discounts, premiums, and deferred amounts on Refunding		1,445	–
Payments of principal outstanding on forward purchase agreements (see Note 1i)		–	(350)
Prepayment received on lease of property (see Note 1j)		–	6,000
Net pension obligation incurred (see Note 12)		–	573
Net decrease in other liabilities		–	(464)
Balances, end of year	$	854,656	9,795

Following is a summary of the changes in noncurrent liabilities for the year ended June 30, 2001:

		Revenue bonds payable	Other long-term liabilities
Balances, beginning of year	$	403,221	4,684
Revenue bonds issued		521,175	–
Revenue bonds retired		(38,375)	–
Amortization of discounts, premiums, and deferred amounts on Refunding		1,605	–
Payments of principal outstanding on forward purchase agreements (see Note 1i)		–	(437)
Net decrease in other liabilities		–	(211)
Balances, end of year	$	887,626	4,036

(Continued)

(Dollars in thousands)

(6) Revenue Bonds Payable

Bonds outstanding at June 30, 2002 and 2001 are summarized as follows:

	2002	2001
Bond Series 1992, interest rates ranging from 5.8% to 6.125%, payable in varying amounts through 2016	$ 21,260	25,230
Bond Series 1993, interest rates ranging from 6% to 6.2%, payable in varying amounts through 2006	47,715	59,270
Bond Series 1993A, interest rates ranging from 6.35% to 6.65%, payable in varying amounts through 2006	27,865	33,830
Bond Series 1996, interest rates ranging from 5.05% to 6%, payable in varying amounts through 2008	22,620	25,745
Bond Series 1997, interest rates ranging from 4.2% to 6%, payable in varying amounts through 2028	198,605	199,605
Bond Series 1998, interest rates ranging from 4.0% to 5.125%, payable in varying amounts through 2016	68,620	68,945
Bond Series 2000, interest rates ranging from 6.0% to 6.25%, payable in varying amounts through 2009	74,730	87,165
Bond Series 2001A, interest rates ranging from 4.13% to 5.625%, payable in varying amounts through 2032	435,185	435,185
	896,600	934,975
Less:		
Current maturities	34,415	38,375
Unamortized discounts and premiums	1,104	1,071
Deferred amounts on refunding	6,425	7,903
	41,944	47,349
	$ 854,656	887,626

Interest payments on the above issues are due semiannually on January 1 and July 1.

On July 15, 2000, the Airport issued $87,165 in Series 2000 Letter of Intent Double Barrel Revenue Bonds. The Series 2000 Bonds are limited obligations of the Airport, payable solely from moneys to be received from the FAA pursuant to Letter of Intent Number ACE-98-01 dated November 10, 1998 and amended May 1, 2000; moneys on deposit in the Airport Development Fund; and certain other funds pledged under the bond indenture. None of the general Airport revenues or properties of the Airport have been pledged or mortgaged to secure payment of the Series 2000 Bonds. The net proceeds of the Series 2000 Bonds of $85,536 (after the deduction of a $125 original issue discount and the payment of $1,504 in underwriting fees, legal, accounting, and other issuance costs), together with other available funds, are being applied to pay a portion of the cost of the acquisition of certain land located adjacent to the Airport and the construction of certain improvements thereon.

(Dollars in thousands)

On May 1, 2001, the Airport issued $435,185 in Series 2001A Airport Revenue Bonds for the purpose of acquiring certain land located adjacent to the Airport and acquiring, designing, constructing, improving, renovating, expanding, rehabilitating, and equipping certain Airport facilities. The net proceeds from the Series 2001A Bonds were $426,782 (after the deduction of a $1,050 original issue discount and the payment of $7,353 in underwriting fees, legal, accounting, and other issuance costs). The Series 2001A Bonds are secured by the net revenues from the operations of the Airport.

The deferred amounts on refunding of $6,425 and $7,903 at June 30, 2002 and 2001, respectively, relate to the refunded Bond Series 1984, Bond Series 1987, and Bond Series 1992 and are included in revenue bonds payable within the accompanying balance sheets. The deferred amounts on refunding are amortized using the bonds outstanding method over the life of the new bonds.

The Airport was in compliance with all significant bond covenants with respect to the above issues at June 30, 2002 and 2001.

As of June 30, 2002, the Airport's aggregate debt service requirements for the next five years and in five year increments thereafter are as follows:

	Principal	Interest	Total
Year ending June 30:			
2003	$ 34,415	47,819	82,234
2004	39,760	45,688	85,448
2005	42,550	43,274	85,824
2006	43,200	40,707	83,907
2007	24,950	38,785	63,735
2008-2012	144,685	168,283	312,968
2013-2017	139,705	130,426	270,131
2018-2022	137,435	93,543	230,978
2023-2027	156,095	55,285	211,380
2028-2032	133,805	16,802	150,607
	$ 896,600	680,612	1,577,212

In prior years, the Airport advance refunded $221,715 of Airport Revenue Bonds by placing funds in an irrevocable trust to provide for all future debt service payments on these bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Airport's financial statements. At June 30, 2002 and 2001, $106,440 and $110,935, respectively, of outstanding bonds are considered defeased.

(Continued)

(Dollars in thousands)

(7) Use Agreements and Leases With Signatory Air Carriers

The Airport has long-term use agreements and leases with signatory air carriers which expire on December 31, 2005. Under the terms of the use agreements and leases, the air carriers have agreed to pay airfield landing fees; terminal and concourse rentals; hangar, cargo and maintenance facility rentals; and certain miscellaneous charges in consideration for use of the Airport. The use and lease agreements also require the Airport to make certain capital improvements and to provide maintenance of certain Airport facilities. Payments by the air carriers are determined as follows:

(a) Landing fees are calculated based on estimated operating and maintenance expenses of the airfield, and allocated to the air carriers on the basis of landing weights. Landing fee revenues are adjusted each year by retroactive rate adjustment which is calculated as the difference between estimated and actual costs incurred and estimated and actual landing weights. These revenues are included in aviation revenue - airfield.

(b) Rentals are calculated based on estimated operating and maintenance expenses, of the terminal and concourse areas and hangars, cargo and maintenance facilities, and allocated to the air carriers on the basis of square footage utilized. Rental revenue is adjusted each year by retroactive rate adjustment which is calculated as the difference between estimated and actual costs incurred. These revenues are included in aviation revenue - terminal and concourses, hangars and other buildings, or cargo buildings, respectively.

(c) Miscellaneous income is derived from the air carriers for their use of sanitary disposal facilities and airline service buildings.

During fiscal years 2002 and 2001, revenues from signatory air carriers accounted for 61% of total Airport operating revenues.

Minimum future rentals for each year in the next five years and in the aggregate are not determinable given the method of calculation.

The following is a summary of aviation revenue by category and source from signatory and nonsignatory air carriers for the years ended June 30, 2002 and 2001:

		2002	
	Signatory	Non-signatory	Total
Airfield	$ 39,967	3,095	43,062
Terminal and concourses	23,680	516	24,196
Hangars and other buildings	465	–	465
Cargo buildings	1,975	–	1,975
	$ 66,087	3,611	69,698

(Continued)

(Dollars in thousands)

	2001		
	Signatory	Non-signatory	Total
Airfield	$ 40,186	3,132	43,318
Terminal and concourses	22,559	544	23,103
Hangars and other buildings	455	–	455
Cargo buildings	1,995	–	1,995
	$ 65,195	3,676	68,871

(8) Financial Condition of and Transactions With Major User

Prior to April 9, 2001, Trans World Airlines, Inc. (TWA) represented the major air carrier providing air passenger service at the Airport. TWA, in combination with American Airlines, Inc. (American) provided 45% and 43% of the Airport's total operating revenues and 69% and 67% of total revenues from signatory air carriers for the fiscal years ended June 30, 2002 and 2001, respectively.

(a) Acquisition of TWA's Assets by American Airlines

On January 10, 2001, TWA filed a petition for reorganization under Chapter 11 of the United States Bankruptcy Code and filed a petition with the motion to sell substantially all of its assets to American or its designees, including AMR Corp. (AMR), the parent company of American. The motion to sell the assets was approved by the United States Bankruptcy Court for the District of Delaware on March 12, 2001. The sale of TWA's assets to a newly created subsidiary of American (AMR Sub) was closed on April 9, 2001. In a letter dated March 28, 2001 to Colonel Leonard L. Griggs, Jr., the Director of the Airport, American expressed its intent to continue operating a system hub at the Airport. This intent was further expressed in AMR's Form 10-K filed with the Securities and Exchange Commission dated March 22, 2001.

Although American has expressed its intent to continue operating a system hub at the Airport, no assurance can be given as to the levels of aviation activity which will be achieved at the Airport in future fiscal years. Future traffic at the Airport is sensitive to a variety of factors including: (1) the growth in the population and the economy of the area served by the Airport, (2) national and international political and economic conditions, including the effects of the terrorist attacks of September 11, 2001, or any future attacks, (3) air carrier economics and air fares, (4) the availability and price of aviation fuel, (5) air carrier service and route networks, (6) the capacity of the air traffic control system, and (7) the capacity of the Airport/airways system.

The level of aviation activity at the Airport can have a material impact on the amount of operating and nonoperating revenues of the Airport. Should the Airport incur a substantial loss of revenue and any Airport contingency plan to replace such revenue prove unsuccessful, the City's ability to make payments of principal, premium, if any, and interest on the outstanding bonds could be adversely affected. However, payment of the principal and interest on outstanding bonds is insured by a bonds insurance policy.

(b) ***Use Agreement with TWA***

In 1993, the City purchased from TWA all of TWA's leasehold interests relating to the use of certain gates, terminal support facilities, air cargo facilities and improvements at the Airport, together with related personal property, leasehold interest in a hangar and office building and a flight training facility (Purchased Assets). TWA had a month-to-month lease covering the Purchased Assets with automatic renewals through December 31, 2005. In conjunction with the sale of TWA's assets to AMR Sub, American assumed and assigned to AMR Sub TWA's obligations under the lease agreement.

Under the lease agreement, if during any month AMR Sub has an average of less than 190 regularly scheduled departures, the City has a right to reclaim and redesignate the use of the gates and terminal support facilities and equipment to other airlines so that AMR Sub would retain only the number of gates which represents an average of 3.33 daily flight departures per gate. Also, under the lease agreement, if AMR Sub fails to make a payment of any rents, fees or charges, the City may terminate all of AMR Sub's airport agreements and retain ownership of all assets acquired under the purchase transaction.

Lease revenue under the agreement was $7,829 for the years ended June 30, 2002 and 2001. Accounts receivable at June 30, 2002 and 2001 contained $2,231 and $9,182, respectively, relating to amounts owed to the Airport by AMR Sub.

(Dollars in thousands)

(9) Operating Leases

The Airport leases facilities and land with varying renewal privileges to various nonsignatory air carriers, concessionaires and others. These leases, for periods ranging from 1 to 50 years, require the payment of minimum annual rentals. The following is a schedule by year of minimum future rentals on noncancelable operating leases, other than leases with signatory airlines pursuant to long-term use agreements:

Year ending June 30:		
2003	$	20,456
2004		15,404
2005		7,851
2006		6,427
2007		6,235
2008-2012		7,827
2013-2017		3,729
2018-2022		3,612
2023-2027		3,562
2028-2032		3,562
2033-2037		1,781
Total minimum future rentals	$	80,446

The above amounts do not include contingent rentals which may be received under certain leases. Such contingent rentals amounted to $22,581 and $26,499 for the years ended June 30, 2002 and 2001, respectively.

The Airport leases computer and other equipment and has service agreements under noncancelable arrangements which expire at various dates through 2007. Expenses for operating leases and service agreements were $854 and $2,211 for the years ended June 30, 2002 and 2001, respectively. Future minimum payments (excluding payments for snow removal which are not determinable) are as follows:

Year ending June 30:		
2003	$	150
2004		90
2005		75
2006		46
2007		23
Total minimum future rentals	$	384

(Dollars in thousands)

(10) Concessionaire Revenues

During fiscal years 2002 and 2001, revenues from concessionaires accounted for 29% and 33%, respectively, of total Airport operating revenues.

Following is a summary of rental revenues received by type of concessionaire for the years ended June 30, 2002 and 2001:

		2002	2001
Advertising	$	2,533	2,256
Transportation services		370	349
Automobile rental		10,450	10,643
General merchandise sales		2,225	2,546
Parking services		8,957	13,382
Food and catering services		7,421	5,954
Other		2,281	4,402
	$	34,237	39,532

(11) Related-Party Transactions

During the years ended June 30, 2002 and 2001, the City charged the Airport $2,389 and $2,105, respectively, for services rendered by various City departments, which are included in the Airport's operating expenses as interfund services used.

Each year the Airport pays the City a gross receipts tax equal to 5% of the Airport's gross receipts. During the years ended June 30, 2002 and 2001, gross receipts tax amounted to $5,152 and $4,143, respectively, and are reflected as transfers out in the accompanying basic financial statements. As of June 30, 2002 and 2001, $1,486 and $1,286, respectively, remain unpaid.

Additionally, during 2002 the City billed the Airport for the personal service costs associated with a City employee who works exclusively on Airport projects. This billing of $54 remained unpaid as of June 30, 2002.

(12) Retirement Plans

All employees of the Airport are covered by one of two City-wide employee retirement plans. The employees of the Airport Fire Department are covered by the Firemen's Retirement System of St. Louis (Firemen's System), a single-employee defined benefit retirement plan. All other employees are covered by the Employees' Retirement System of the City of St. Louis (Employees' System), a cost-sharing, multiple-employer defined benefit retirement plan. Each system is administered by a separate Board of Trustees, members of which are appointed by City officials and plan participants. As Airport employees comprise only a portion of total plan participants, no separate accrued liabilities or segregation of net assets available for plan benefits is maintained related to the Airport's participation in these plans.

(Continued)

Firemen's Retirement System of St. Louis

(a) System Description

All firefighters qualify as members of the Firemen's System and are thereby eligible to participate from their date of hire.

The Firemen's System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Firemen's Retirement System of St. Louis; 1601 S. Broadway; St. Louis, Missouri, 63104.

Firefighters may elect voluntary retirement after 20 or more years of service. The monthly retirement benefit is calculated at 40% of the final two year average monthly compensation at 20 or more years of service, plus 2% of such final average compensation for each of the next five years of service, plus 5% of such final average compensation for each additional year of service over 25 years with a maximum pension of 75%. Unused accrued sick leave pay may increase the maximum pension beyond the 75% limitation.

The Firemen's System also provides death and disability benefits. Benefits vest after 20 years of service. Such benefits are authorized by State statutes and adopted by City ordinance.

The Firemen's System, in accordance with Ordinance 62994 of the City, initiated during the System's fiscal year ended August 31, 1994, the Deferred Retirement Option Plan (DROP). The DROP plan is available to members of the system who have achieved at least 20 years of creditable service and have eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly into the DROP account of the member and the member's contribution will be reduced to one percent from the normal eight percent. During participation in the DROP plan, the member will not receive credit for employer contributions or credit for service. A member may participate in the DROP plan only once for any period up to five years. At retirement, the funds in the member's DROP account plus interest are available to the member in a lump sum or in installments.

(b) Funding Policy

Firefighters are required to contribute 8% of their compensation to the Firemen's System, as mandated per State statute and adopted by City ordinance. The Airport is required to contribute the remaining amounts necessary to fund the Firemen's System. Members of the Firemen's System are entitled to a lump-sum distribution of the entire amount of their contribution without interest upon service retirement. Members whose employment terminates prior to retirement are entitled to a lump-sum distribution of their contribution, plus interest thereon.

(Continued)

(Dollars in thousands)

(c) Annual Pension Cost

Contributions of $354 were made to the Firemen's System by the Airport during the fiscal year ended June 30, 2002. The contribution consisted of $232 of normal cost plus $122 in unfunded actuarial accrued liability amortization payments in accordance with actuarially determined contribution requirements based on an actuarial valuation performed at September 1, 2001. The following were some of the significant actuarial assumptions used in the valuation of the Firemen's System:

Date of actuarial valuation	September 1, 2001
Actuarial cost method	Entry age frozen liability method
Amortization method	30 years from establishment
Remaining amortization period	Various
Asset valuation methods	3 year smoothed market
Inflation rate	3.500%, per year
Investment rate of return	8.125%, compounded annually
Projected salary increases	5.500%, per year to retirement age
Projected post-retirement benefit increases	5.000%

Three Year Trend Information – Firemen's System

Fiscal Year		Annual Pension Cost (APC)	Percentage of APC Contributed		Net Pension Obligation
2002	$	354	100%	$	–
2001		325	100%		–
2000		284	100%		–

Employees' Retirement System of the City of St. Louis

(a) System Description

All nonuniformed employees of the Airport become members of the Employees' System upon employment, with the exception of employees hired after attaining age 60.

The Employees' System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Employees Retirement System of the City of St. Louis; 1300 Convention Plaza, Suite 217; St. Louis, Missouri 63103-1935.

(Continued)

The Employees' System provides for defined benefit payments for retirement, death or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Benefits vest to employees covered by the Employees' System after the employee has attained five years of creditable service. The Board of Trustees approves all withdrawals, benefits and termination refunds from the Employees' System's assets. Normal retirement is at age 65 or if the employee's age and creditable service combined equal or exceed 85. Early retirement is at age 60, with five years of creditable service; age 55, with 20 years of creditable service; or at any age after 30 years of creditable service.

On June 8, 2000, the Mayor of the City of St. Louis approved an ordinance passed by the Board of Aldermen, which will establish a Deferred Retirement Option Plan (DROP), effective January 1, 2001. This plan states that when members reach retirement age, they are allowed to work for five additional years and defer receipt of their retirement allowance. The calculation of average salary for retirement benefits will not include the additional years of service after normal retirement age. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost of living increases as the normal retirement benefits are. The DROP account earns interest at the actuarial valuation rate of return. After the member completely terminates employment, the member can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan.

(b) Funding Policy

Employer contribution rates are established annually by the Board of Trustees based on an actuarial study. The Board of Trustees elected to require employer contributions at a rate of 4.1% of active member payroll effective July 2001. Prior to July 2001, the employer contribution rate was 1.9%.

Employees who became members of the Employees' System prior to October 14, 1977, may make voluntary contributions to the Employees' System equal to 3% of the employee's compensation until the employee's compensation equals the maximum annual taxable earnings under the Federal Social Security Act in effect on January 1 of the calendar year. Thereafter, voluntary contributions may be made equal to 6% of employee compensation. These voluntary contributions vest immediately.

(Dollars in thousands)

(c) Annual Pension Cost and Net Pension Obligation

The Airport's annual pension cost and net pension obligation to the Employees' System for the year ended June 30, 2002, are as follows:

Annual required contribution	$	2,197
Interest on net pension asset		(45)
Adjustment to annual required contribution		60
Annual pension cost		2,212
Contributions made		(1,068)
Increase in net pension obligation		1,144
Net pension asset, beginning of year		(571)
Net pension obligation, end of year	$	573

The net pension obligation of $573 as of June 30, 2002, and the net pension asset of $571 as of June 30, 2001, are reflected as other long-term liabilities and other assets, respectively, in the accompanying financial statements. The following were some of the significant actuarial assumptions used in the valuation of the Employee's System:

Date of actuarial valuation	October 1, 2001
Actuarial cost method	Projected unit credit
Amortization method	Level percent of payroll
Remaining amortization period	18.25 years as of October 1, 2001
Asset valuation methods	The book value at beginning of year, plus 25% of the difference between market value and book for the last four years; less the member savings fund
	Investment rate of return 8.00%
Projected salary increases	4.50 – 8.50%, depending on age
Projected post-retirement benefit increases	5.00% per year, maximum cumulative increase of 25%

Three-Year Trend Information – Employees' System

Fiscal Year		Annual Pension Cost (APC)	Percentage of APC Contributed		Net Pension Obligation/ (Asset)
2002	$	2,212	48.28%	$	573
2001		–	100%		(571)
2000		–	100%		(571)

(Continued)

(13) Commitments and Contingencies

At June 30, 2002, the Airport had outstanding commitments amounting to approximately $141,041, resulting primarily from contracts for construction projects. In addition, the Airport has $12,464 in outstanding commitments resulting from service agreements.

In connection with Federal grant programs, the Airport is obligated to administer the related programs and spend the grant monies in accordance with regulatory restrictions, and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the Airport to refund program monies.

Additionally, certain lawsuits were pending against the City which involved the Airport. In the opinion of Airport officials and legal counsel, these actions are not expected to have a material effect, individually or in the aggregate, on the financial position or results of operations of the Airport.

(14) Risk Management

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Airport participates in the Public Facilities Protection Corporation (PFPC), an internal service fund of the City of St. Louis, Missouri. The purpose of PFPC is to account for risks in which the City is self insured, primarily workers' compensation, unemployment benefits, certain general liability, and various other claims and legal actions. All self insured claims liabilities and payments are recorded in PFPC. The Airport reimburses PFPC for workers' compensation claims on a cost-reimbursement basis. At June 30, 2002 and 2001, the Airport owed PFPC $1,306 and $1,073, respectively, for unreimbursed workers' compensation claims.

The Airport purchases commercial insurance for other risks it considers significant, including general liability, public officials' liability, property damage, employee honesty bond, business auto, and insurance on its fine arts. Settled claims did not exceed commercial coverage in any of the last three years.

(Continued)

(15) Record of Decision

On September 30, 1998, the City received a favorable Record of Decision from the Federal Aviation Administration (FAA) for the W-1W expansion of the Airport, marking the beginning of a new economic era for aviation in St. Louis. The proposed $2.6 billion program will provide the building blocks for a highly competitive "world class" aviation system for the 21st century, including:

- One additional 9,000 foot parallel runway to add capacity in all weather conditions;
- The modernization and renovation of existing terminal facilities;
- The addition of up to 25 new passenger gates;
- Additional terminal facilities, doubling the Airport's existing space;
- Renovation of Lambert's existing runway and taxiway system; and
- The addition of more than 6,000 parking spaces.

The construction for this program will be funded with Airport Development Funds, Passenger Facilities Charges, FAA Improvement Program grants, and Airport Revenue Bonds. During fiscal year 2001, the Series 2000 Letter of Intent Double Barrel Revenue Bonds and the Series 2001A Airport Revenue Bonds (see Note 6) were issued as part of the overall funding plan for this program.

Lawsuits previously filed by the Cities of St. Charles and Bridgeton, Missouri, challenging the project have been adjudicated and fully reviewed by the appellate courts. In both cases, final judgments were rendered in favor of the City and the Airport.

Land acquisition activities are underway with approximately 2,100 parcels to be acquired. As of August 6, 2002, 1,236 offers have been extended; of these, 1,141 offers have been accepted; of these, 1,124 real estate transactions have been closed; of these, 1,091 properties have been vacated by the sellers and are in the possession of the Airport; of these, 892 homes have been demolished with others to follow in the coming months.

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LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Analysis of Cash and Investment Accounts Required by Bond Ordinances
Year ended June 30, 2002
(Dollars in thousands)

	Unrestricted			Held by Trustee Bond Fund	
	Revenue Fund	Revenue Fund Subaccount	Operation and Maintenance Fund	Debt Service Account	Debt Service Reserve Account
Balance at June 30, 2001	$ 6,978	1,285	5,687	71,354	70,323
Cash deposited with City Treasurer	143,881	–	–	–	–
Cash receipts	–	–	–	2,940	5,310
Transfer in accordance with ordinance	(140,732)	5,152	65,600	89,206	(223)
Vouchers and requisitions paid	(9,599)	–	(67,543)	–	–
Bond proceeds	–	–	–	–	(27)
Payments:					
Interest	–	–	–	(43,753)	(933)
Redemption of bonds	–	–	–	(38,375)	-
Payments to the City of 5% of gross receipts	–	(4,951)	–	–	-
Receipts from FAA	–	–	–	–	–
Capital appropriation	–	–	–	–	–
Capital expenditures	–	–	–	–	–
Balance at June 30, 2002	$ 528	1,486	3,744	81,372	74,450

See accompanying independent auditors' report.

Restricted						
			Other Restricted Funds			
Renewal and Replacement Fund	Passenger Facility Charge Fund	Development Fund	Appropriated	Unappro-priated	Contingency Fund	Total
3,500	44,893	46,794	187,443	404,532	1,675	844,464
–	43,599	–	–	–	–	187,480
–	–	–	13,995	10,630	343	33,218
–	(13,348)	4,809	(2)	(10,572)	110	–
–	–	–	–	(6)	(271)	(77,419)
–	–	–	–	–	–	(27)
–	–	–	–	–	–	(44,686)
–	–	–	–	–	–	(38,375)
–	–	–	–	–	–	(4,951)
–	–	37,373	–	–	–	37,373
–	(27,648)	(34,447)	454,749	(392,654)	–	–
–	–	–	(220,216)	–	–	(220,216)
3,500	47,496	54,529	435,969	11,930	1,857	716,861

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Schedule of 1992 Revenue Refunding and Improvement Bonds Payable
June 30, 2002
(Dollars in thousands)

Maturity on July 1	Interest Rate		Principal Maturity
2002	5.80 %	$	4,190
2003	5.90		4,435
2004	6.00		750
2005	6.00		795
2006	6.00		840
2007	6.00		890
2008	6.00		945
2009	6.13		1,005
2010	6.13		1,060
2011	6.13		1,125
2012	6.13		1,190
2013	6.13		1,265
2014	6.13		1,345
2015	6.13		1,425
		$	21,260

See accompanying independent auditors' report.

Schedule III

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Schedule of 1993 Taxable Revenue Refunding Bonds Payable
June 30, 2002
(Dollars in thousands)

Maturity on July 1	Interest Rate	Principal Maturity
2002	6.00 %	$ 10,920
2003	6.10	11,560
2004	6.15	12,245
2005	6.20	12,990
		$ 47,715

See accompanying independent auditors' report.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Schedule of 1993A Taxable Revenue Bonds Payable
June 30, 2002
(Dollars in thousands)

Maturity on July 1	Interest Rate	Principal Maturity
2002	6.35 %	$ 6,330
2003	6.40	6,735
2004	6.55	7,165
2005	6.65	7,635
		$ 27,865

See accompanying independent auditors' report.

Schedule V

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Schedule of 1996 Revenue Refunding Bonds Payable
June 30, 2002
(Dollars in thousands)

Maturity on July 1	Interest Rate	Principal Maturity
2002	6.00 %	$ 3,270
2003	6.00	3,465
2004	5.05	3,680
2005	5.15	3,865
2006	5.25	4,065
2007	5.35	4,275
		$ 22,620

See accompanying independent auditors' report.

Schedule VI

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Schedule of 1997 Taxable Revenue Bonds Payable
June 30, 2002
(Dollars in thousands)

Maturity	1997A		1997B		Total
on July 1	Interest Rate	Principal Maturity	Interest Rate	Principal Maturity	Principal Maturity
2002	4.20 %	$ 500	4.40 %	$ 1,500	$ 2,000
2003	4.30	625	4.50	2,195	2,820
2004	4.40	715	5.25	2,570	3,285
2005	4.50	755	5.25	2,735	3,490
2006	4.60	995	5.25	3,710	4,705
2007	4.65	1,085	5.25	4,110	5,195
2008	4.70	1,135	6.00	4,300	5,435
2009	4.85	1,185	6.00	4,530	5,715
2010	5.00	1,240	6.00	4,775	6,015
2011	5.00	1,295	6.00	5,035	6,330
2012	5.10	1,360	6.00	5,310	6,670
2013	5.15	1,420	6.00	5,605	7,025
2014	5.25	1,490	6.00	5,910	7,400
2015	5.25	1,560	5.25	6,245	7,805
2016	5.25	1,635	5.25	6,545	8,180
2017	5.25	1,710	5.25	6,865	8,575
2022	5.13	9,395	5.25	37,745	47,140
2027	5.13	12,070	5.25	48,750	60,820
		$ 40,170		$ 158,435	$ 198,605

See accompanying independent auditors' report.

Schedule VII

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

(An enterprise fund of the City of St. Louis, Missouri)

Schedule of 1998 Revenue Refunding Bonds Payable

June 30, 2002

(Dollars in thousands)

Maturity on July 1	Interest Rate	Principal Maturity
2002	4.00 %	$ 340
2003	4.00	350
2004	5.00	4,310
2005	5.00	4,530
2006	4.00	4,760
2007	4.00	4,950
2008	5.13	5,145
2009	5.13	5,410
2010	5.13	5,690
2011	5.13	5,980
2012	5.13	6,295
2013	5.13	6,610
2014	5.13	6,945
2015	5.13	7,305
		$ 68,620

See accompanying independent auditors' report.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

(An enterprise fund of the City of St. Louis, Missouri)

Schedule of 2000 Letter of Intent Double Barrel Revenue Bonds Payable

June 30, 2002

(Dollars in thousands)

Maturity on January 1	Interest Rate		Principal Maturity
2003	6.25 %	$	7,365
2004	6.00		10,395
2005	6.00		11,115
2006	6.00		9,895
2007	6.00		10,580
2008	6.00		13,285
2009	6.13		12,095
		$	74,730

See accompanying independent auditors' report.

Schedule IX

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Schedule of 2001A Airport Revenue Bonds Payable
June 30, 2002
(Dollars in thousands)

Maturity on July 1	Interest Rate	Principal Maturity	Interest Rate	Principal Maturity	Total Principal Maturity
2007	4.13 %	$ 3,645	5.00 %	$ 6,130	$ 9,775
2008	4.25	870	5.50	9,365	10,235
2009	4.40	1,165	5.50	9,625	10,790
2010	4.50	1,620	5.50	9,745	11,365
2011	4.60	1,760	5.00	10,215	11,975
2012	4.70	1,130	5.63	11,435	12,565
2013	–	–	5.63	13,260	13,260
2014	4.90	750	5.63	13,260	14,010
2015	5.00	1,640	5.63	13,155	14,795
2016	5.05	395	5.63	15,220	15,615
2017	5.13	355	5.63	16,135	16,490
2018	5.20	300	5.63	17,120	17,420
2019	5.25	1,365	5.63	17,030	18,395
2020	5.30	930	5.00	18,500	19,430
2021	5.30	1,020	5.00	19,375	20,395
2022	–	–	5.13	21,420	21,420
2026	–	–	5.00	76,875	76,875
2031	5.40	810	5.25	119,565	120,375
					$ 435,185

See accompanying independent auditors' report.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Schedule of Insurance
June 30, 2002
(Dollars in thousands)

Insurer		Amount	Expiration Date	Character of Coverage
Old Republic Insurance Company	$	50,000	10/1/2004	General liability
Global Aerospace & Lloyds		300,000	10/1/2002	General liability excess
National Union Fire Insurance		7,000	10/1/2002	Public official's liability
FM Global Insurance		925,000	10/1/2003	Comprehensive property damage
The Hartford Insurance Company		100	10/1/2002	Employee honesty bond
The Cincinnati Insurance Company		5,000	10/1/2003	Business auto and excess
Kemper National Insurance Company		2,705	10/1/2002	Insurance on fine arts

See accompanying independent auditors' report.

APPENDIX E

FORM OF BOND INSURANCE POLICY

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to TRUSTEE or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

$117,985,000
The City of St. Louis, Missouri

$69,195,000 Airport Revenue Bonds, Series 2002A (Capital Improvement Program) (NON-AMT)

$31,755,000 Airport Revenue Bonds, Series 2002B (Capital Improvement Program) (AMT)

$17,035,000 Airport Revenue Refunding Bonds, Series 2002C (AMT)

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this ___ day of December, 2002.

MBIA Insurance Corporation

SPECIMEN

President

Attest: ______________

Assistant Secretary

STD-R-6
4/95

APPENDIX F

FORM OF OPINION OF CO-BOND COUNSEL

Upon delivery of the 2002 Bonds, Co-Bond Counsel propose to deliver their opinion in substantially the following form:

December 19, 2002

The City of St. Louis, Missouri
St. Louis, Missouri

UMB Bank, N.A., as Trustee
St. Louis, Missouri

Re: $69,195,000 The City of St. Louis, Missouri Airport Revenue Bonds, Series 2002A (Airport Capital Improvement Program),
$31,775,000 The City of St. Louis, Missouri Airport Revenue Bonds, Series 2002B (Airport Capital Improvement Program) and
$17,035,000 The City of St. Louis, Missouri Airport Revenue Refunding Bonds, Series 2002C

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by The City of St. Louis, Missouri (the "City") of its Airport Revenue Bonds, Series 2002A (Airport Capital Improvement Program) (the "2002A Bonds"), Airport Revenue Bonds, Series 2002B (Airport Capital Improvement Program) (the "2002B Bonds") and Airport Revenue Refunding Bonds, Series 2002C (the "2002C Bonds," together with the 2002A Bonds and the 2002B Bonds, the "Bonds").

The Bonds are authorized and issued under and pursuant to the Constitution and statutes of the State of Missouri (the "State"), including particularly, Chapter 108.170 of the Revised Statutes of Missouri, as amended, the Charter of the City (the "Charter"), Ordinance No. 65618 (the "Ordinance") of the City adopted by the Board of Aldermen of the City on July 19, 2002, and approved by the Mayor of the City on August 5, 2002, and an Indenture of Trust between the City and UMB Bank, N.A. (as successor to UMB Bank of St. Louis, N.A. (as successor to Mercantile Bank of St. Louis National Association)), as trustee (the "Trustee"), dated as of October 15, 1984, as amended and supplemented by the First Supplemental Indenture of Trust between the City and the Trustee dated as of July 1, 1987, the Second Supplemental Indenture of Trust between the City and the Trustee dated as of November 15, 1992, the Third Supplemental Indenture of Trust between the City and the Trustee dated as of August 1, 1993, the Fourth Supplemental Indenture of Trust between the City and the Trustee dated as of December 1, 1993, the Fifth Supplemental Indenture of Trust between the City and the Trustee dated as of April 1, 1996, and the Sixth Supplemental Indenture of Trust between the City and the Trustee dated as of August 1, 1997, as amended and restated by the Amended and Restated Indenture of Trust between the City and the Trustee dated as of October 15, 1984 and amended and restated as of September 10, 1997, as amended and supplemented by the Seventh Supplemental Indenture of Trust between the City and the Trustee dated as of December 1, 1998, the Eighth Supplemental Indenture of Trust between the City and the Trustee dated as of May 1, 2001, and the Ninth Supplemental Indenture of Trust between the City and the Trustee (the "Ninth Supplemental Indenture") dated as of December 1, 2002 (collectively, the "Indenture"). Capitalized terms used and not defined herein shall have the same meanings given to such terms in the Indenture.

The Bonds are being issued for the purpose of providing funds which, together with other funds available for such purposes, will be used (i) to finance or reimburse a portion of the cost of the construction, improvement, renovation, expansion, rehabilitation and equipping of certain capital improvement projects at Lambert-St. Louis International Airport (the "Airport"), (ii) to refund all of the City's outstanding Airport Revenue Refunding and Improvement Bonds, Series 1992, Lambert-St. Louis International Airport Project and (iii) to finance certain capitalized interest, reserve accounts and costs of issuance in connection therewith.

We have examined the law and such certified proceedings and other papers as we have deemed necessary to render the following opinions. In rendering the following opinions we have assumed the genuineness of all signatures, the authenticity of all documents tendered to us as originals and the conformity to original documents of all documents submitted to us as certified or photostatic copies. As to questions of fact material to our opinion, we have relied upon representations of the City and we have relied upon the certified proceedings and other certifications and documents furnished to us without undertaking to verify the same by independent investigation, including, without limitation, the Financial Feasibility Report prepared by Unison-Maximus, Inc., dated December 11, 2002, with respect to the Airport.

We were not engaged, nor have we undertaken, to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion or view herein relating thereto (excepting only the matters set forth in our opinion in the Official Statement). Furthermore, we have not been engaged to express any opinion regarding any Federal, state or local tax law consequences of the ownership or disposition of the Bonds, the receipt of interest thereon or otherwise with respect to any such tax law, and no such opinion is expressed or is to be inferred.

For purposes of this opinion, we have assumed that the Indenture (other than the Ninth Supplemental Indenture) has been duly and lawfully executed and delivered by the parties thereto and is in full force and effect.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds have been duly authorized, executed and delivered by the City in accordance with the Constitution and statutes of the State of Missouri and the Charter and are valid and binding special and limited obligations of the City, payable solely from the sources provided therefor in the Indenture. The Bonds and the premium, if any, and the interest thereon do not constitute a pledge of the faith and credit of the City, the State or any political subdivision of the State.

2. The Ordinance has been duly and lawfully adopted by the City, is in full force and effect, and is valid and binding upon the City and enforceable against the City in accordance with its terms.

3. The Ninth Supplemental Indenture has been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the other party thereto, constitutes a valid and binding obligation of the City in accordance with its terms.

4. The Indenture creates the valid pledge which it purports to create of the moneys, securities and funds included in the Trust Estate and of all Revenues subject to the application thereof for the purposes and on the conditions permitted by the Indenture.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof, including the enforceability of the documents described above, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

By rendering the foregoing opinion we do not undertake to advise you of any changes in laws or facts which may occur or come to our attention after the date hereof.

Very truly yours,

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APPENDIX G

FORM OF OPINION OF SPECIAL TAX COUNSEL

December 19, 2002

The City of St. Louis, Missouri
St. Louis, Missouri

UMB Bank, N.A., as Trustee
St. Louis, Missouri

Re: $69,195,000 The City of St. Louis, Missouri Airport Revenue Bonds, Series 2002A (Capital Improvement Program),
$31,755,000 The City of St. Louis, Missouri Airport Revenue Bonds, Series 2002B (Capital Improvement Program) and
$17,035,000 The City of St. Louis, Missouri Airport Revenue Refunding Bonds, Series 2002C

Ladies and Gentlemen:

We have acted as special tax counsel to the City of St. Louis, Missouri (the "City") in connection with the issuance by the City of its Airport Revenue Bonds, Series 2002A (Capital Improvement Program) (the "2002A Bonds"), Airport Revenue Bonds, Series 2002B (Capital Improvement Program) (the "2002B Bonds") and Airport Revenue Refunding Bonds, Series 2002C (the "2002C Bonds," together with the 2002A Bonds and the 2002B Bonds, the "Bonds").

We have reviewed the record of proceedings related to the issuance of the Bonds, including the Constitution and statutes of the State of Missouri (the "State"), including particularly, Chapter 108.170 of the Revised Statutes of Missouri, as amended, the Charter of the City (the "Charter"), Ordinance No. 65618 (the "Ordinance") of the City adopted by the Board of Aldermen of the City on July 19, 2002, and approved by the Mayor of the City on August 5, 2002, and an Indenture of Trust between the City and UMB Bank, N.A. (as successor to UMB Bank of St. Louis, N.A. (as successor to Mercantile Bank of St. Louis National Association)), as trustee (the "Trustee"), dated as of October 15, 1984, as amended and supplemented by the First Supplemental Indenture of Trust between the City and the Trustee dated as of July 1, 1987, the Second Supplemental Indenture of Trust between the City and the Trustee dated as of November 15, 1992, the Third Supplemental Indenture of Trust between the City and the Trustee dated as of August 1, 1993, the Fourth Supplemental Indenture of Trust between the City and the Trustee dated as of December 1, 1993, the Fifth Supplemental Indenture of Trust between the

City and the Trustee dated as of April 1, 1996, and the Sixth Supplemental Indenture of Trust between the City and the Trustee dated as of August 1, 1997, as amended and restated by the Amended and Restated Indenture of Trust between the City and the Trustee dated as of October 15, 1984 and amended and restated as of September 10, 1997, as amended and supplemented by the Seventh Supplemental Indenture of Trust between the City and the Trustee dated as of December 1, 1998, the Eighth Supplemental Indenture of Trust between the City and the Trustee dated as of May 1, 2001, and the Ninth Supplemental Indenture of Trust between the City and the Trustee (the "Ninth Supplemental Indenture") dated as of December 1, 2002 (collectively, the "Indenture"), the Tax Certificate as to Arbitrage and the Provisions of Section 103 and 141-150 of the Internal Revenue Code of 1986 (the "Tax Certificate") and such other matters of fact and law as we have deemed necessary to enable us to render the opinions contained herein. Capitalized terms used and not defined herein shall have the same meanings given to such terms in the Indenture.

We have examined the law and such certified proceedings and other papers as we have deemed necessary to render the following opinions. In rendering the following opinions we have assumed the genuineness of all signatures, the authenticity of all documents tendered to us as originals and the conformity to original documents of all documents submitted to us as certified or photostatic copies. As to questions of fact material to our opinion, we have relied upon representations of the City and we have relied upon the certified proceedings and other certifications and documents furnished to us without undertaking to verify the same by independent investigation.

We have not been engaged, or undertaken, to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion herein relating thereto (excepting only the matters set forth in our opinion in the Official Statement).

For purposes of this opinion, we have assumed that the Indenture (other than the Ninth Supplemental Indenture) has been duly and lawfully executed and delivered by the City and is in full force and effect. In addition, we have relied upon the opinion of co-bond counsel delivered by Shaffer Lombardo Shurin and Lewis & Munday, P.C., dated the date hereof, relating to the validity of the issuance of the Bonds.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for Federal income tax purposes and not to be exempt from income taxes imposed by the State of Missouri retroactive to the date of issue of the Bonds. Pursuant to the Indenture and the Tax Certificate, the City has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code. In addition, the City has made certain representations and

certifications in the Indenture and the Tax Certificate. We have not independently verified the accuracy of those representations and certifications.

Under existing law and assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications of the City, interest on the Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code, except that no opinion is expressed as to the exclusion of interest on any 2002B Bond or any 2002C Bond from gross income for any period during which such 2002B Bond or 2002C Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with proceeds of the 2002B Bonds or the 2002C Bonds or a "related person." We are also of the opinion that interest on the 2002A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the 2002A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. We are also of the opinion that interest on the 2002B Bonds and the 2002C Bonds is treated as a tax preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations.

Under existing law, and assuming that interest on the Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code, interest on the Bonds is excluded from Missouri taxable income for the purposes of the personal income tax and corporate income tax imposed by the State of Missouri. No opinion is expressed regarding the applicability with respect to the Bonds or the interest on the Bonds of the taxes imposed by the State of Missouri on financial institutions under Chapter 148 of the Revised Statutes of Missouri, as amended.

2. The 2002A Bonds maturing on July 1, 2006; July 1, 2007; July 1, 2008 (bearing interest at a rate of 5.00% per annum); July 1, 2009; July 1, 2010 and July 1, 2011 (each bearing interest at a rate of 5.25% per annum); July 1, 2012; July 1, 2014 through and including July 1, 2021, inclusive; and July 1, 2027; the 2002B Bonds maturing July 1, 2006; and July 1, 2008 through and including July 1, 2011, inclusive; and the 2002C Bonds (collectively, the "Premium Bonds") are being offered at prices in excess of their principal amounts. We are of the opinion that an initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the

amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds.

Except as stated in paragraphs 1 and 2 above, we express no opinion as to any other Federal or state tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof, including the enforceability of the documents described above, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

By rendering the foregoing opinion we do not undertake to advise you of any changes in laws or facts which may occur or come to our attention after the date hereof.

Very truly yours,

APPENDIX H

SUMMARY OF CONTINUING DISCLOSURE AGREEMENT

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The following is a brief summary of the Continuing Disclosure Agreement, and is qualified in its entirety by reference thereto, copies of which may be obtained from the City.

Definitions

For purposes of this section, the capitalized terms set forth below will have the following meanings, unless the context otherwise requires:

"Annual Report" means any Annual Report provided by the City pursuant to, and as described in, the Disclosure Agreement.

"Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2002 Bonds for federal income tax purposes.

"Disclosure Representative" means the Comptroller of the City or his or her designee, or such other person as the City will designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" means UMB Bank, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the Trustee a written acceptance of such designation.

"Listed Events" means any of the events listed in the Disclosure Agreement.

"National Repository" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the United States Securities and Exchange Commission as of the date of execution and delivery of the Disclosure Agreement are set forth in the Disclosure Agreement.

"Obligated Person" means the City and each air carrier and any other entity at any time using the Airport (i) that is obligated under a use agreement, lease or other agreement or agreements having a term of more than one year to pay a portion of the debt service on the Bonds; and (ii) pursuant to such agreement or agreements has paid amounts equal to at least 20% of the Revenues of the Airport for each of the prior two Fiscal Years of the Airport.

"Official Statement" means the Preliminary Official Statement dated December 4, 2002 and the Official Statement dated December 11,, 2002 issued in connection with the Series 2002 Bonds.

"Participating Underwriter" means any of the original underwriters of the Series 2002 Bonds required to comply with the Rule in connection with the offering of the Series 2002 Bonds.

"Repository" means each National Repository and each State Repository.

"Rule" means Rule 15c2-12(b)(5) adopted by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" means the State of Missouri.

"State Repository" means any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the United States Securities and Exchange Commission. As of the date of the Disclosure Agreement, there is no State Repository.

Purpose of the Disclosure Agreement

The Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the Bondholders and Beneficial Owners of the 2002 Bonds and in order to assist the Participating Underwriters in complying with the Rule. The City has determined that the City is an Obligated Person. The City has also determined that AMR Sub is currently the only other Obligated Person. AMR, the parent company of AMR Sub, is subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith, file reports and other information with the United States Securities and Exchange Commission (the "SEC Reports"). The City makes no representation with respect to, and assumes no responsibility for the accuracy or completeness of, any SEC Report filed by, or any information provided by AMR on behalf of AMR Sub or by any future Obligated Person. Unless no longer required by the Rule, the City has agreed in the Disclosure Agreement to use its reasonable efforts to cause each Obligated Person other than the City, if any (to the extent that such Obligated Person is not otherwise required to file SEC Reports), to provide to the City annual information substantially equivalent to that contained in the SEC Reports. In the event that any such Obligated Person fails to provide to the City annual information substantially equivalent to that contained in the SEC Reports, the City shall not be in default under this Disclosure Agreement. The City shall use its reasonable efforts to include in any future amendments to the Use Agreements a provision requiring air carriers to provide information to the City to enable the City, if necessary, to comply with the Rule. In the event that the City does not obtain such provision in any future amendments to the Use Agreement, the City shall not be in default under this Disclosure Agreement.

Provision of Annual Reports

The City will, or will cause the Dissemination Agent to, not later than 210 days after the end of the City's fiscal year (which currently ends on June 30 of each year), commencing with the report for the City's fiscal year ending on June 30, 2003, provide to each Repository an Annual Report which is consistent with the requirements of the Disclosure Agreement. The City will provide a written certificate with the Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in the Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it will give notice of such change in the same manner as for a Listed Event under the Disclosure Agreement.

Not later than fifteen (15) Business Days prior to the date specified above for providing the Annual Report to the Repositories, the City will provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date the Dissemination Agent has not received the Annual Report, the Dissemination Agent will contact the City and request that the City comply with the Disclosure Agreement.

If the Dissemination Agent has not received an Annual Report by the date required by the Disclosure Agreement, the Dissemination Agent will send a notice to the Participating Underwriters, the Trustee (if not the Dissemination Agent) and (i) each Repository or (ii) the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached to the Disclosure Agreement.

The Dissemination Agent is required to:

1. Determine each year, prior to the date for providing the Annual Report, the name and address of each National Repository and the State Repository, if any; and

2. Provide notice to the City and the Trustee (if the Trustee is not the Dissemination Agent) certifying (A) that the Annual Report has been provided to the Repositories by the Dissemination Agent pursuant to the Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided; or (B) that the City has certified to the Dissemination Agent that the City has provided the Annual Report to the Repositories.

Content of Annual Reports

The City's Annual Report will contain or include by reference the following:

1. The audited financial statements of the Airport for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. If the Airport's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to the Disclosure Agreement, the Annual Report will contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

2. The following statistical and operating data of the Airport, updated for the City's prior fiscal year:

a. The list of Signatory Air Carriers, Non-Signatory Air Carrier and Air Cargo Carriers at the Airport;

b. The table contained in the Official Statement under the caption "SELECTED HISTORICAL FINANCIAL INFORMATION – Airport Revenues and Expenses for GARB Purposes" herein;

c. The rate of PFCs assessed by the City;

d. "TABLE IV-4 – O&D AND CONNECTING ENPLANEMENTS" in "APPENDIX C — FINANCIAL FEASIBILITY REPORT" of the Official Statement;

e. "TABLE IV-6 – DOMESTIC AND INTERNATIONAL ENPLANEMENTS" in APPENDIX C — FINANCIAL FEASIBILITY REPORT" of the Official Statement;

f. "TABLE IV-8 – AIR CARRIER MARKET SHARE" in "APPENDIX C — FINANCIAL FEASIBILITY REPORT" of the Official Statement;

g. "TABLE IV-11 – HISTORICAL AIR CARGO (In Pounds)" in "APPENDIX C — FINANCIAL FEASIBILITY REPORT" of the Official Statement;

h. "TABLE V-4 – SUMMARY OF AIR CARRIERS REVENUES, COST PER ENPLANED PASSENGER AND RATES—BASE CASE" in "APPENDIX C — FINANCIAL FEASIBILITY REPORT" of the Official Statement;

i. "TABLE V-6 – OPERATION AND MAINTENANCE EXPENSES – BASE CASE" in "APPENDIX C — FINANCIAL FEASIBILITY REPORT" of the Official Statement; and

j. "TABLE V-8 – CALCULATION OF ANNUAL DEBT SERVICE COVERAGE – BASE CASE" in "APPENDIX C — FINANCIAL FEASIBILITY REPORT" of the Official Statement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of issues with respect to which the City is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories, the Municipal Securities Rulemaking Board or the United States Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City will clearly identify each such other document so included by reference.

Reporting of Significant Events

Pursuant to the provisions of the Disclosure Agreement, the City will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2002 Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications to rights of Bondholders;
4. optional, contingent or unscheduled bond calls;
5. defeasances;
6. rating changes;
7. adverse tax opinions or events affecting the tax-exempt status of the 2002 Bonds;
8. unscheduled draws on debt service reserves reflecting financial difficulties;
9. unscheduled draws on credit enhancements reflecting financial difficulties;
10. substitution of credit or liquidity providers, or their failure to perform;
11. release, substitution or sale of property securing repayment of the Series 2002 Bonds.

The Dissemination Agent will, within one Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to the Disclosure Agreement. For the purpose of the Disclosure Agreement, "actual knowledge" of such listed events will mean knowledge by an officer of the Dissemination Agent with responsibility for matters related to the Indenture or the Disclosure Agreement.

Whenever the City obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent pursuant to the Disclosure Agreement or otherwise, the City will, as soon as possible, determine if such event would be material under applicable federal securities laws.

If knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City will promptly notify the Dissemination Agent in writing. Such notice will instruct the Dissemination Agent to report the occurrence pursuant to the Disclosure Agreement.

If in response to a request pursuant to the Disclosure Agreement, the City determines that the Listed Event would not be material under applicable federal securities laws, the City will so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to the Disclosure Agreement.

If the Dissemination Agent has been instructed by written notice from the City to report the occurrence of a Listed Event, the Dissemination Agent will file a notice of such occurrence with (i) each Repository or (ii) the Municipal Securities Rulemaking Board and each State Repository, with a copy to the City, the Trustee and the Participating Underwriters. Notwithstanding the foregoing, notice of Listed Events described in the Disclosure Agreement need not be given under the Disclosure Agreement any earlier than the notice (if any) of the underlying event is given to the Bondholders of affected 2002 Bonds pursuant to the Indenture.

Termination of Reporting Obligation

The City's obligations under the Disclosure Agreement will terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2002 Bonds. The Disclosure Agreement will also terminate upon (i) the Rule being withdrawn, retroactively repealed, or having been found by a court of competent jurisdiction to be invalid in a non-appealable action; or (ii) receipt by the Dissemination Agent, the Trustee (if the Trustee is not the Dissemination Agent) and the City of an opinion of counsel of nationally recognized expertise in matters relating to securities laws affecting municipal securities to the effect that the Rule is no longer applicable to the Series 2002 Bonds. If the City's obligations under the Indenture are assumed in full by another entity, such entity will be responsible for compliance with the Disclosure Agreement in the same manner as if it were the City, and the City will have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Series 2002 Bonds, the City will give notice of such termination or substitution in the same manner as for a Listed Event under of the Disclosure Agreement.

Dissemination Agent

The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent will not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Disclosure Agreement. The Dissemination Agent may resign at any time by providing 30 days written notice to the City. The Dissemination Agent will also have no duty or obligation to determine the materiality of the listed events and will not be deemed to be acting in any fiduciary capacity for the City, any Beneficial Owner or any other party. If at any time there is not any other designated Dissemination Agent, the Trustee will be the Dissemination Agent.

Amendment; Waiver

Notwithstanding any other provision of the Disclosure Agreement, the City and the Dissemination Agent may amend the Disclosure Agreement (and the approval of the Dissemination Agent to any such amendment will not be unreasonably withheld), and any provision of the Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of the Disclosure Agreement, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an obligated person with respect to the Series 2002 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of counsel of nationally recognized expertise in matters relating to securities laws affecting municipal securities, have complied with the requirements of the Rule at the time of the original issuance of the Series 2002 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Bondholders of the Series 2002 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bondholders, or (ii) does not, in the opinion of counsel nationally recognized in matters relating to securities laws affecting municipal securities, materially impair the interests of the Bondholders or Beneficial Owners of the Series 2002 Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Agreement, the City will describe such amendment in the next Annual Report, and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in the same manner as for a Listed Event under the Disclosure Agreement, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information

Nothing in the Disclosure Agreement will be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of the occurrence of a Listed Event, in addition to that which is required by the Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of the occurrence of a Listed Event, in addition to that which is specifically required by the Disclosure Agreement, the City will have no obligation under the Disclosure Agreement to update such information or include it in any future Annual Report or notice of the occurrence of a Listed Event.

Default

In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Disclosure Agreement, the Dissemination Agent or the Trustee may (and, at the request of any Underwriter or the Bondholders or Beneficial Owner of at least 25% aggregate principal amount of Outstanding Bonds, will), or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under the Disclosure Agreement. A default under the Disclosure Agreement will not be deemed to be an Event of Default under the Indenture, and the sole remedy under the Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Disclosure Agreement will be an action to compel performance.

Duties, Immunities and Liabilities of Trustee and Dissemination Agent

The Indenture is made applicable to the Disclosure Agreement and the Dissemination Agent as if such provisions were (solely for this purpose) contained in the Disclosure Agreement. The Dissemination Agent will have only such duties as are specifically set forth in the Disclosure Agreement, and, to the extent permitted by applicable law, the City indemnifies and saves the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no responsibility for the City's failure to report a Listed Event to the Dissemination Agent. No provisions of the Disclosure Agreement will be interpreted to limit, prohibit or affect any right of the Trustee to provide notice to the Bondholders of the Series 2002 Bonds or any other person pursuant to the terms of the Indenture.

APPENDIX I

DTC INFORMATION

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Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bonds certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC or its agent.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities and Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. If the City determines (a) that the Securities Depository is unable properly to discharge its responsibilities, or (b) that the Securities Depository is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, or (c) that the continuation of a book entry system to the exclusion of any Bonds being issued to any Bondowner other than the Securities Depository is no longer in the best interests of the beneficial owners of the Bonds, or (d) if the Trustee receives written notice from Participants having interests in not less than 50% of the Bonds Outstanding, as shown on the records of the Securities Depository (and certified to such effect by the Securities Depository), that the continuation of a book entry system to the exclusion of any Bonds being issued to any Bondowner other than the Securities Depository is no longer in the best interests of the beneficial owners of the Bonds, then the Trustee shall notify the Bondowners of such determination or such notice and of the availability of certificates to owners requesting the same, and the Trustee shall register in the name of and authenticate and deliver Replacement Bonds to the beneficial owners or their nominees in principal amounts representing the interest of each, making such adjustments as it may find necessary or appropriate as to accrued interest. The cost of printing, registration, authentication and delivery of Replacement Bonds shall be paid for by the City.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Underwriters believe to be reliable, but the City and the Underwriters take no responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bonds, nor any error in the printing of such numbers, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Bonds.

NEITHER THE CITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS.

DURING THE PERIOD THAT DTC IS THE REGISTERED OWNER OF THE 2002 BONDS, ANY REFERENCES IN THIS OFFICIAL STATEMENT TO NOTICES THAT ARE TO BE GIVEN TO OWNERS BY THE TRUSTEE WILL BE GIVEN ONLY TO DTC. DTC WILL BE EXPECTED TO FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICE TO THE

PARTICIPANTS BY ITS USUAL PROCEDURES SO THAT SUCH PARTICIPANTS MAY FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICES TO THE BENEFICIAL OWNERS. THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ASSURE THAT ANY SUCH NOTICE IS FORWARDED BY DTC TO THE PARTICIPANTS OR BY ANY PARTICIPANT TO THE BENEFICIAL OWNER. ANY FAILURE BY DTC TO ADVISE ANY PARTICIPANT, OR BY ANY PARTICIPANT TO NOTIFY THE BENEFICIAL OWNER, OR ANY SUCH NOTICE AND ITS CONTENT OR EFFECT SHALL NOT AFFECT THE VALIDITY OF ANY ACTION PREMISED ON SUCH NOTICE.

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December 11, 2002

Colonel Leonard L. Griggs, Jr.
Director of Airports
Lambert-St. Louis International Airport
Post Office Box 10212
St. Louis, MO 63145

Re: The City of St. Louis, Missouri, Airport Revenue Bonds, Series 2002A (Capital Improvement Program) (NON-AMT), The City of St. Louis, Missouri Airport Revenue Bonds, Series 2002B (Capital Improvement Program) (AMT), and The City of St. Louis, Missouri Airport Revenue Refunding Bonds, Series 2002 C (AMT)

Dear Colonel Griggs:

Unison-Maximus, Inc. is pleased to submit this Financial Feasibility Report (the Report) in connection with the issuance of the City of St. Louis, Missouri, Airport Revenue Bonds, Series 2002A (Capital Improvement Program) (NON-AMT), The City of St. Louis, Missouri Airport Revenue Bonds, Series 2002B (Capital Improvement Program) (AMT), and The City of St. Louis, Missouri Airport Revenue Refunding Bonds, Series 2002C (AMT) (collectively the 2002 Bonds) in the approximate par amount of $118.0 million. The 2002 Bonds are being issued in three series: Series 2002A and Series 2002B in the aggregate amount of $101.0 million to fund a portion of the FY 2002–FY 2006 capital improvement program at Lambert-St. Louis International Airport (the Airport) (collectively, the 2002 CIP Bonds), and Series 2002C (the 2002 Refunding Bonds) in the amount of $17.0 million to refund all of the City's Airport Revenue Refunding and Improvement Bonds, Series 1992.

The Airport is owned by the City and operated by the City of St. Louis Airport Authority (the Authority), an agency of the City. The Airport is the principal air carrier airport serving the St. Louis metropolitan area, a region with a population of approximately 2.6 million in 2001. In Fiscal Year 2002,[1] 12.6 million passengers were enplaned at the Airport, of which 5.8 million (46%) were originating passengers and 6.8 million (54%) were connecting passengers. The Airport is a "system hub" in the route system of American Airlines (American) as it was for Trans World Airlines (TWA) in prior years.

On April 9, 2001 TWA sold all of its assets to a wholly owned subsidiary of American Airlines Inc. (AMR Sub). In connection with the sale, TWA assumed and assigned to AMR Sub all agreements and leases between TWA and the City and beginning in December 2001, substantially integrated all former TWA operations into American.

[1] The City's fiscal year begins July 1 and ends the following June 30.

In a letter to the City dated March 28, 2001, American expressed its intent "to continue operating a system hub at the Lambert-St. Louis International Airport...[including] plans to accept TWA's facility lease at the Airport. American further indicated that it "does not anticipate any disruption to TWA operations and customers in St. Louis" as a result of the acquisition.

In Fiscal Year 2001, TWA, together with its regional affiliate, TWA Express, accounted for 11.4 million enplanements at the Airport—75% of the Airport total. In FY 2002, American, together with its regional affiliate, accounted for 9.7 million passenger enplanements at the Airport—76% of the Airport total. The Airport is also a major station in the route system of Southwest Airlines. In FY 2002, Southwest accounted for 12% of total Airport enplanements.

On September 11, 2001 terrorists seized control of four U.S. commercial passenger flights crashing two aircraft into the World Trade Center in New York City, one aircraft into the Pentagon in Arlington, Virginia and one aircraft in Somerset, Pennsylvania (the September 11, 2001 Events). In response to these catastrophic events, the Federal Aviation Administration (the FAA) ordered the complete shutdown of the U.S. aviation system for a period of two days. The Airport re-opened on September 13, 2001, but with significantly lower traffic levels. Thereafter, air service levels were gradually restored, but passenger traffic remained well below FY 2001 levels, as indicated in the following table:

Percentage Change in Monthly Passenger Enplanements
Fiscal Year 2002 vs. 2001

Month	Airport (STL)	Total U.S.
July 2001	-3.5%	-0.0%
August 2001	-10.1%	+2.9%
September 2001	-44.4%	-33.3%
October 2001	-28.7%	-22.7%
November 2001	-22.6%	-19.2%
December 2001	-16.7%	-13.5%
January 2002	-14.4%	-14.6%
February 2002	-7.9%	-11.6%
March 2002	-12.9	-9.8%
April 2002	-10.4%	-12.9%
May 2002	-7.8%	-10.3%
June 2002	-9.6%	-10.4%
FY 2002 Totals	-15.7%	-12.5%

During the first three months of FY 2003 (July – September), passenger traffic at the Airport increased 0.3% from the same period in FY 2002. The following is a monthly summary of the changes at the Airport compared with the aggregate changes for all U.S. airports.

Percentage Change in Monthly Passenger Enplanements
Fiscal Year 2003 versus 2002

Month	Airport (STL)	Total U.S.
July 2002	-12.5	-10.3
August 2002	-11.3	-10.2
September 2002	+36.8	+28.4

The declines in passenger traffic at the Airport in FY 2002 reflect the response of American and the other airlines to the September 11, 2001 Events, but also reflect decisions by American to adjust service levels at the Airport in the face of the current national economic slowdown and to move toward more profitable performance of the St. Louis hub. American recently announced additional plans to reduce further its systemwide capacity—a move that is likely to have some adverse effect on service levels and passenger traffic at the Airport. However, cutbacks on specific routes and at specific airports have not yet been announced. In general, American plans to reduce jet service but, to the extent possible, increase regional jet service on routes to small and medium size cities at its hub airports.

The September 11, 2001 Events appear to have altered consumer travel choices and reduced demand for air travel—particularly among high-yield business travelers. These post-September 11th trends have been exacerbated by the current national economic slowdown and decisions by American to rationalize its route system at the St. Louis hub. These factors suggest that there exists today greater uncertainty regarding future trends of passenger traffic at the Airport than was the case prior to the September 11, 2001 Events.

To address the uncertainty in air travel demand, Section IV of this report presents three sets of airport activity forecasts: Base Case, Sensitivity-High Case, and Sensitivity-Low Case. The Base Case reflects a conservative forecast that assumes a permanent downward shift in air travel demand and permanent cuts in airline service due to the September 11, 2001 Events. From post-September 11 depressed levels, enplanements would grow at moderate rates throughout the forecast period. The Sensitivity-High Case also considers the downward shift in travel demand and cuts in airline service after the September 11, 2001 Events. However, the Sensitivity-High Case assumes that the effects of the September 11, 2001 Events are transitory: demand would recover and return to FY 2001 levels by FY 2006. The Sensitivity-Low Case assumes that American would further cut air carrier service by 20% effective January 2003, in addition to significant cuts that have been implemented since September 11, 2001 and have been reflected under the Base Case and the Sensitivity-High Case. Based on current information we do not believe that the Sensitivity-Low Case is a likely scenario.

The City is in the process of implementing an Airport Development Program (the ADP). The principal element of Phase 1 of the ADP is the development of a new air carrier runway (Runway 12R/30L) to the southwest of the existing airfield at the Airport. The new runway will allow the Airport to accommodate dual independent aircraft arrivals during instrument flight rule (IFR or bad weather) conditions, thereby substantially increasing airport capacity. Various studies indicate that the project will generate substantial projected benefits by reducing air traffic delays—both at the Airport and in the national air transportation system. In September 1998, the FAA filed its Record of Decision regarding the environmental impact statement for the ADP, the final step in the environmental approval process for the program. In November 1998, the FAA, evidencing its support of the ADP, issued a Letter of Intent to provide the City with $141.4 million of grants-in-aid for the project under the Airport Improvement Program (the AIP) over the 10-year period, Federal Fiscal Year (FFY) 1999 through FFY 2008.

The total estimated cost of Phase 1 of the ADP is $1.1 billion. The City has financed Phase 1 of the ADP from a variety of funding sources, including (1) the proceeds of the outstanding *"$435,185,000 City of St. Louis, Missouri, Airport Revenue Bonds, Series 2001A (Airport Development Program)"* (the 2001A ADP Bonds), (2) the proceeds of the outstanding *"$87,165,000 City of St. Louis, Missouri, Letter of Intent Double Barrel Revenue Bonds, Series 2000"* (the 2000 LOI Bonds), (3) moneys appropriated from the City's Airport Development Fund (ADF), (4) AIP grants-in-aid, including the $141 million Letter of Intent, (5) grants-in-aid under the Federal Highway Administration's highway grant program (FHWA), and (6) passenger facility charge (PFC) resources.[2] The City intends to refund the 2000 LOI Bonds and is currently evaluating the timing to occur during the first calendar quarter of 2003 in order to take advantage of the lower bond interest rates and to provide additional resources to the ADF through the elimination of the LOI Contingency Fund, which secures the 2000 LOI Bonds. The structure contemplated will result in the conversion of the existing subordinate bond debt to a general airport revenue bond (GARB). However, sufficient capitalized interest will be provided in order to defer costs of this refunding until after completion of the runway, which is scheduled for the first calendar quarter of 2006.

The City also prepares a rolling five-year capital improvement program (the 5-Year CIP). The current 5-Year CIP addresses the period, FY 2002-FY 2006. The 2002 CIP Bonds are being issued to finance projects programmed for FY 2003 and FY 2004 in the current CIP.

[2] The plan of financing for Phase 1 of the ADP indicates that all of the remaining funding requirements of the program can be met with the proceeds of the 2001A ADP Bonds together with currently approved PFC, LOI, and FHWA resources, moneys in the ADF, and PFC resources anticipated under the pending PFC amendments, except for $78 million currently budgeted as a "program contingency" which has not yet been financed. The issuance of additional GARBs may be required to fund all or a portion of the program contingency and any other unanticipated increases in other ADP program costs.

The 2002 Bonds are being issued pursuant to the Amended and Restated Indenture of Trust dated September 10, 1997, as amended by the Seventh Supplemental Indenture of Trust dated December 1, 1998, the Eighth Supplemental Indenture of Trust dated as of May 1, 2001 and the Ninth Supplemental Indenture of Trust dated as of December 1, 2002 (collectively, the Indenture). The 2002 Bonds are limited obligations of the City secured by and payable solely from (1) GARB Revenues (as defined in the Indenture) and (2) Pledged PFC Revenues (as defined in the Indenture) (collectively, the Revenues).[3]

The 2002 CIP Bonds are Additional Bonds under the Indenture. Additionally, due to the planned refunding of the 2000 LOI Bonds, the debt service on the 2003 LOI Refunding Bonds (2003 Refunding Bonds) is included as a part of the aggregate debt service for fiscal years 2006 through 2008 to satisfy the requirement of the Additional Bonds Test. As a condition for the issuance of Additional Bonds, the Indenture requires that the following items be prepared and delivered:

> A certificate of the Airport Consultant setting forth for each of the three Airport Fiscal Years following the Airport Fiscal Year in which the Consulting Engineers estimate the Project or any such Additional Project will be completed, estimates of (a) Net Revenues and (b) amounts to be deposited from Revenues into the Debt Service Reserve Account, the Renewal and Replacement Fund, and the Development Fund; and
>
> A certificate of an Authorized Officer of the City setting forth (a) the estimates of Net Revenues, as set forth in the certificate of the Airport Consultant..., (b) the estimates of the amounts to be deposited in certain funds and accounts from Revenues as set forth in the certificate of the Airport Consultant..., and (c) the Aggregate Adjusted Debt Service, determined after giving effect to the issuance of such Additional Bonds and including the Aggregate Debt Service...with respect to future Series of Bonds, if any, [estimated to be] required to complete payment of the Cost of Construction of the Project..., and demonstrating that the estimated Net Revenues in each of the Airport Fiscal Years set forth in (a) above is at least equal to 1.25 times Aggregate Adjusted Debt Service for the corresponding Airport Fiscal Year...

This provision is referred to as the Additional Bonds Test. This report has been prepared in part to assist the City in complying with the provisions of the Additional Bonds Test.

The City has entered into airport use agreements (Use Agreements) with all of the major airlines currently serving the Airport. The term of the Use Agreements extends to December 31, 2005. The existing Use Agreements provide for a "compensatory" approach to setting terminal building rental rates and a "cost center residual" approach to setting landing fee rates. Those projects

[3] Revenues are also defined to include "...any other available moneys deposited with the Trustee for deposit in the Revenue Fund".

being financed with the 2002 CIP Bonds that require Majority-In-Interest airline approval (MII Approval) have received MII Approval.

Most of the costs of Phase 1 of the ADP are allocable to the Airfield. Phase 1 of the ADP has not been submitted to the airlines for MII Approval under the procedures of the Use Agreements. Without MII Approval, the City cannot include any costs related to the project in the airline rate base until after the Use Agreements expire on December 31, 2005. However, the project is not scheduled for completion until early 2006, after the expiration of the term of the existing Use Agreements. The City intends that all costs related to the 2001A ADP Bonds through Fiscal Year 2006 will be either capitalized from proceeds of the 2001A ADP Bonds or paid from Passenger Facility Charges (PFC) or airport revenues. Accordingly, no such costs will be charged to the airline rate base prior to the project's completion and expiration of the term of the existing Use Agreements.

The City intends to negotiate new use and lease agreements with the airlines serving the Airport prior to the expiration of the existing Use Agreements. However, no decisions have been made by the City regarding rate-making methods or other business issues that will be addressed in those negotiations, with the exception of the requirement that costs associated with various completed CIP projects and Phase 1 of the ADP will be included in future rates and charges. According to the City's legal counsel, in the absence of new Use Agreements the City has the authority to establish, charge and collect Airport rates and charges by ordinance.

Although the existing Use Agreements at the Airport expire on December 31, 2005, *the financial forecasts presented in this report—which extend to FY 2008--are based on the methodology for calculating airline rates and charges set forth in the Use Agreements.*

Our report is organized into the following sections:

Section I	**Introduction** – An overview of Phase 1 of the Airport Development Program and the FY 2002-FY 2006 CIP and background information regarding the Airport, Airport governance, and other ongoing Airport capital programs.
Section II	**Plan of Financing** – A detailed discussion of the plan of financing for the current 5-Year CIP and Phase 1 of the Airport Development Program.
Section III	**The Economic Base of the Airport** – A discussion of the demographic and economic characteristics of the Airport's service area in order to assess the potential for future growth in local (O&D) passenger demand.

Section IV **Analysis and Forecast of Aviation Activity** – A discussion of recent trends in air traffic activity and forecasts of future air traffic demand at the Airport.

Section V **Financial Analysis** – A discussion of the framework for the operation of the Airport (including the Indenture and the Use Agreements), the sources of Revenues and the components of Operation and Maintenance Expenses, and the forecasts of Revenues, Operation and Maintenance Expenses, Net Revenues, the application of Revenues to the funds and accounts established by the Trust Indenture, and debt service coverage. Financial forecasts are presented under the Base Case traffic scenario outlined above and summarized for the Sensitivity Cases.

Major Assumptions Utilized

The Report is based on the following major assumptions:

1. The City will implement the current 5-Year CIP as currently planned and project budgets and schedules will be achieved as currently scheduled.

2. The City will accomplish Phase 1 of the ADP within the current budget of $1.1 billion.

3. The new runway will become operational in the first quarter of calendar year 2006.

4. American will continue to operate a system hub at the Airport throughout the forecast period.

5. The FAA will comply with the LOI and provide the City with the anticipated $141 million of AIP funding for Phase 1 of the ADP through Fiscal Year 2008.

6. After the expiration of the existing Use Agreements on December 31, 2005, the City will establish airline rates and charges (either under a successor agreement or by ordinance) to provide airlines revenues at least equal to those that would be generated under the existing Use Agreements.

Other important assumptions underlying the forecasts of air traffic activity, Revenues, and Operation and Maintenance Expenses are set forth in Sections IV and V.

Findings and Conclusions

The summary table on page 10 summarizes the principal findings of the financial forecasts for the Base Case and the two Sensitivity Cases (High and Low) addressed in this report.

Base Case – assumes the negative impact of September 11, 2001 Events would result in a permanent downward shift in air travel demand, comprising approximately a 20% reduction in scheduled departures. The future growth during the forecast period is based on the future expansion of the economy.

As indicated in the Report and the summary table for the Base Case in Section V, Revenues are forecast to be sufficient to pay Operation and Maintenance Expenses and meet all of the other funding requirements of the Indenture in each year of the forecast period, Fiscal Year 2003 through Fiscal Year 2008. As also indicated in the Report, Net Revenues are forecast to exceed 1.25 times Aggregate Adjusted Debt Service in the first three Airport Fiscal Years following the estimated date of completion of the last CIP project for Fiscal Year 2006–Fiscal Year 2008, thereby satisfying the Additional Bonds Test.

In addition, based on our knowledge of comparable airports and our experience in preparing similar studies and providing financial consulting services to a variety of airports, we believe the forecasted airline costs per enplaned passenger at the Airport are reasonable.

As indicated earlier, for the purposes of this Report it is assumed that the rates and charges methodology of the existing Use Agreements will continue throughout the forecast period (FY 2003 through FY 2008). In the event the City chooses to set rates by ordinance after the expiration of the existing Use Agreements on December 31, 2005, we believe the existing rates and charges methodology is consistent with applicable Federal guidelines regarding airport rates and charges.[4] Accordingly, we conclude it is feasible for the City to proceed with the issuance of the 2002 Bonds.

The table also summarizes financial projections for the High and Low Sensitivity Cases addressed in this Report in Section V and compares those projections with results from the Base Case.

Sensitivity-High - assumes that the negative demand following the September 11, 2001 Events is transitory, and demand would recover at a greater rate during the period FY 2003 through FY 2007, and return to normal growth levels beginning in FY 2008 and grow with an expansion of the economy.

[4] U. S. Department of Transportation, *Policy Regarding Airport Rates and Charges ("Final Policy")*, June 14, 1996.

Sensitivity-Low – assumes that American would initiate additional cuts in air carrier service at the Airport by 20% effective January 1, 2003. These cuts would be in addition to the post-September 11 service reductions reflected in the Base Case.

As indicated in the Report and on the summary table under the Sensitivity Cases, Revenues are forecast to be sufficient to pay Operation and Maintenance Expenses and meet all other funding requirements of the Indenture in each year of the forecast period, Fiscal Year 2003 through FY 2008, thus satisfying the requirements of the Additional Bonds Test.

The financial forecasts presented in this Report are based on information and assumptions that have been provided by Airport management, or developed by us and reviewed with and confirmed by Airport management. Based upon our review, we believe that the information is accurate and that the assumptions provide a reasonable basis for the forecasts. However, some variation from the forecasts is inevitable due to unforeseen events and circumstances, and these variations may be material. The Report should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

We appreciate the opportunity to assist the City on this important financing program for the Airport.

Sincerely,

UNISON-MAXIMUS, INC.

Table V-9
SENSITIVITY ANALYSIS - SUMMARY TABLE
Lambert St. Louis International Airport
For Fiscal years Ending June 30
(in thousands)

	2006			2007			2008		
	Base Case	Sensitivity High	Sensitivity Low	Base Case	Sensitivity High	Sensitivity Low	Base Case	Sensitivity High	Sensitivity Low
Airline Revenues	$84,182	$84,487	$83,788	$110,406	$110,922	$109,840	$111,849	$112,363	$111,282
Enplaned Passengers	13,204	15,278	11,437	13,470	15,985	11,693	13,740	16,307	11,927
Airline Cost per Passenger	$6.38	$5.53	$7.33	$8.20	$6.94	$9.39	$8.14	$6.89	$9.33
Signatory Landing Fee Rate	$2.44	$2.12	$2.79	$3.55	$3.01	$4.06	$3.53	$3.00	$4.04
Net Revenues	$88,312	$95,716	$82,664	$112,629	$122,022	$106,708	$112,888	$122,868	$106,594
Debt Service	56,616	56,616	56,616	75,676	75,676	75,676	75,960	75,960	75,960
Debt Service Coverage	1.56	1.69	1.46	1.49	1.61	1.41	1.49	1.62	1.40